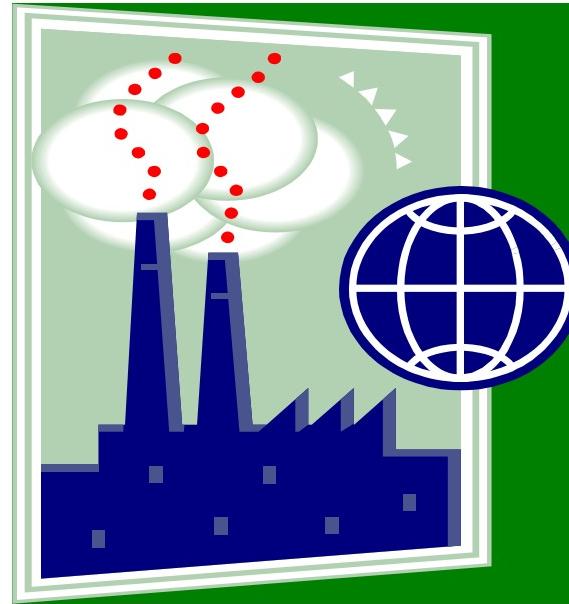




Defense Energy Support Center



*Supporting Worldwide Missions
With DESC Energy Around The Globe*

*Fact Book FY 2005
Twenty-Eighth Edition*

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FOREWORD

The Defense Energy Support Center Fact Book contains statistical information regarding the Center's business operations. The Fact Book reflects the Center's operational status at the end of fiscal year 2005 unless otherwise indicated. The intent is for the use of this publication as a source for general information

purposes only. The Fact Book is not to be considered a source for official communications. We hope you will find it useful. The Fact Book can also be found on-line at www.desc.dla.mil in the Publications sections of the web page.

DESC CORPORATE POSTURE

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HISTORY:

DEFENSE ENERGY SUPPORT CENTER

The origin of the Defense Energy Support Center dates back to World War II. Originally, it was an entity of the Department of Interior as the Army-Navy Petroleum Board. Its mission was to administer the critical petroleum requirements during World War II. In 1945, it was transferred to the War Department and became the Joint Army-Navy Purchasing Agency.

The Agency underwent several name changes, but its mission remained essentially the same until 1962. At that time, it became a part of the consolidated military supply organization, the Defense Supply Agency, now known as the Defense Logistics Agency (DLA). The Center was designated the Defense Fuel Supply Center (DFSC) in 1964 as a single entity to purchase and manage the Department of Defense's petroleum products and coal.

In 1973, DFSC progressed from a wholesale fuel central procurement activity to a more comprehensive logistics mission as the Integrated Materiel Manager (IMM) for the Department of Defense petroleum requirements. Under Phase I, DFSC added management of the acquisition, storage, distribution and sale of fuel with responsibility ending at the Service installation boundary. In 1991 Phase II began, which expanded DLA's ownership of bulk petroleum products to include most bulk storage installations. This effort was divided into two parts, Phase IIA, which capitalized aviation fuel, and Phase IIB, which will capitalize all ground fuels.

Once Phase II is completed, DLA will own all bulk petroleum products from the point of purchase until its final point of issue to power aircraft, ships, and ground equipment.

In 1990, the DFSC mission was expanded to include the supply and management of natural gas, as well as the basic petroleum and coal products. Under this program, natural gas

requirements were consolidated and centrally procured with a mission to provide direct supply natural gas to customers when determined more economical than using gas from a local distribution company.

February 11, 1998 marked the beginning of a new chapter in the Center's history with a name change to Defense Energy Support Center. With it came a new mission to build an energy program aimed at moving the Department of Defense out of the management of energy infrastructure and into the management of energy products. The energy enterprise mission was added to assist the Military Services with the privatization of utility related infrastructure and energy savings performance contracts to decrease energy usage and energy demand.

The initiative to deregulate electricity in CONUS added still another mission to DESC. As states deregulate, DESC pursues and awards contracts for electricity services to CONUS DoD and Federal Civilian Agency installations in the same manner as procurements for natural gas.

On August 11, 2004, the Secretary of Defense designated DLA as the Executive Agent for Bulk Petroleum. This authority was delegated to DESC on November 1, 2004 with the responsibility to execute Supply Chain Management for all DoD Bulk Petroleum, with an emphasis on improving efficiency and minimizing duplication or redundancy within the supply chain.

DESC, despite changes in organization structure and expanded mission, continues its basic mission to support the warfighter and manage the energy sources of the future.



DEFENSE ENERGY SUPPORT CENTER'S MISSION

*To Provide The Department Of Defense,
And Other Government Agencies,
With Comprehensive Energy Solutions In The
Most Effective And Efficient Manner Possible.*

DESC's Vision

***Our Customer's First Choice
For Energy Solutions***

DEFENSE ENERGY SUPPORT CENTER

DIRECTOR'S UPDATE FOR FISCAL YEAR 2005

In Fiscal Year (FY) 2005, the Defense Energy Support Center continued its goal of providing the Department of Defense and other customers comprehensive energy solutions in the most effective and economic manner possible. These solutions include contracting support and management of all petroleum-based fuels, additives and other energy products and services including jet fuels, distillates, missile fuels, chemicals, gases, gasoline, diesel fuels, heating fuels, natural gas, coal and electricity. DESC also continues to manage utilities, privatization and other installation energy conservation efforts. DESC prides itself in continuing partnerships with its customers and the energy industry by fostering and maintaining business alliances around the world.

In addition, DESC continues to support the Department of Defense in the Global War on Terrorism by providing fuel to the warfighter in support of Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom in Iraq, as well as other contingency and peacetime operations around the world.

In support of Defense Logistics Agency goals and objectives, DESC continues to initiate and develop new programs and business practices designed to meet the ever-changing challenges ahead, including Business Systems Modernization-Energy (BSM-E), the Balanced Scorecard, information technology and transformation issues.

The Energy Enterprise CBU supports the ongoing utility system privatization programs of the Military Departments and continues to provide privatization contract support to the Army and Air Force. Additionally, DESC provides energy savings performance contracting support to the Military Departments as part of their efforts to meet mandated energy reduction and renewable energy usage goals.

DESC is committed and actively involved in the Defense Logistics Agency Customer Relationship Management Program. In Fiscal Year 2005, we helped to reengineer customer-focused processes in four key areas – Marketing, Sales (Account and Opportunity Management), Service and Analytics. DESC participated in the Concept Demonstration for Account Management which included testing the newly reengineered enterprise concepts, processes and workaids with select DLA enterprise customers. In the areas of Marketing and Opportunity Management, DESC employees have been trained on the processes and workaids and continue to actively participate, validate and improve the processes and workaids.

DESC's continued success with meeting these fast-paced challenges is due to the cooperation, dedication and commitment of over 800 military and civilian DESC employees whose goals include exceeding expectations and meeting mission needs - wherever and whenever they occur.

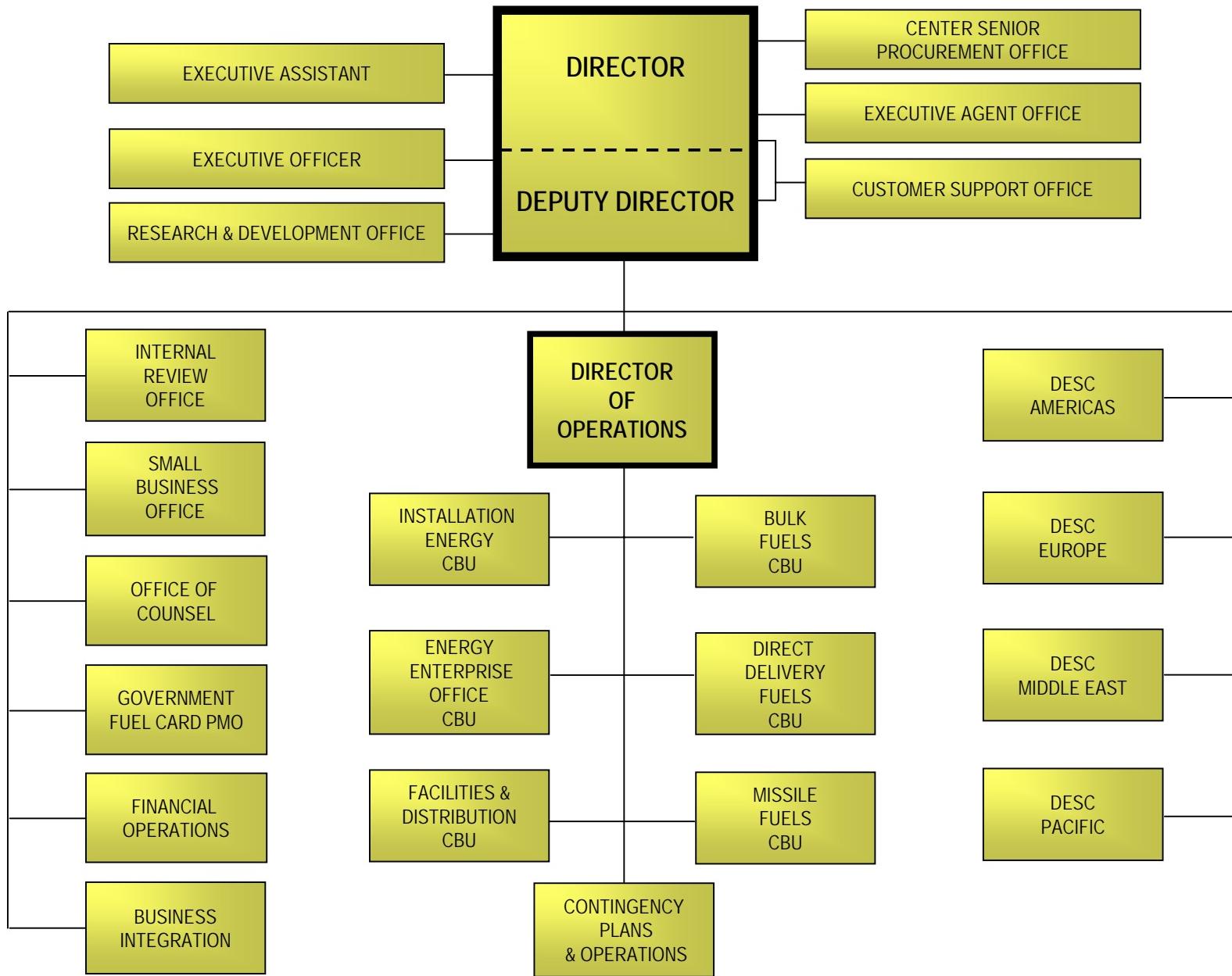
DEFENSE ENERGY SUPPORT CENTER

DIRECTOR'S PLAN FOR FISCAL YEAR 2006

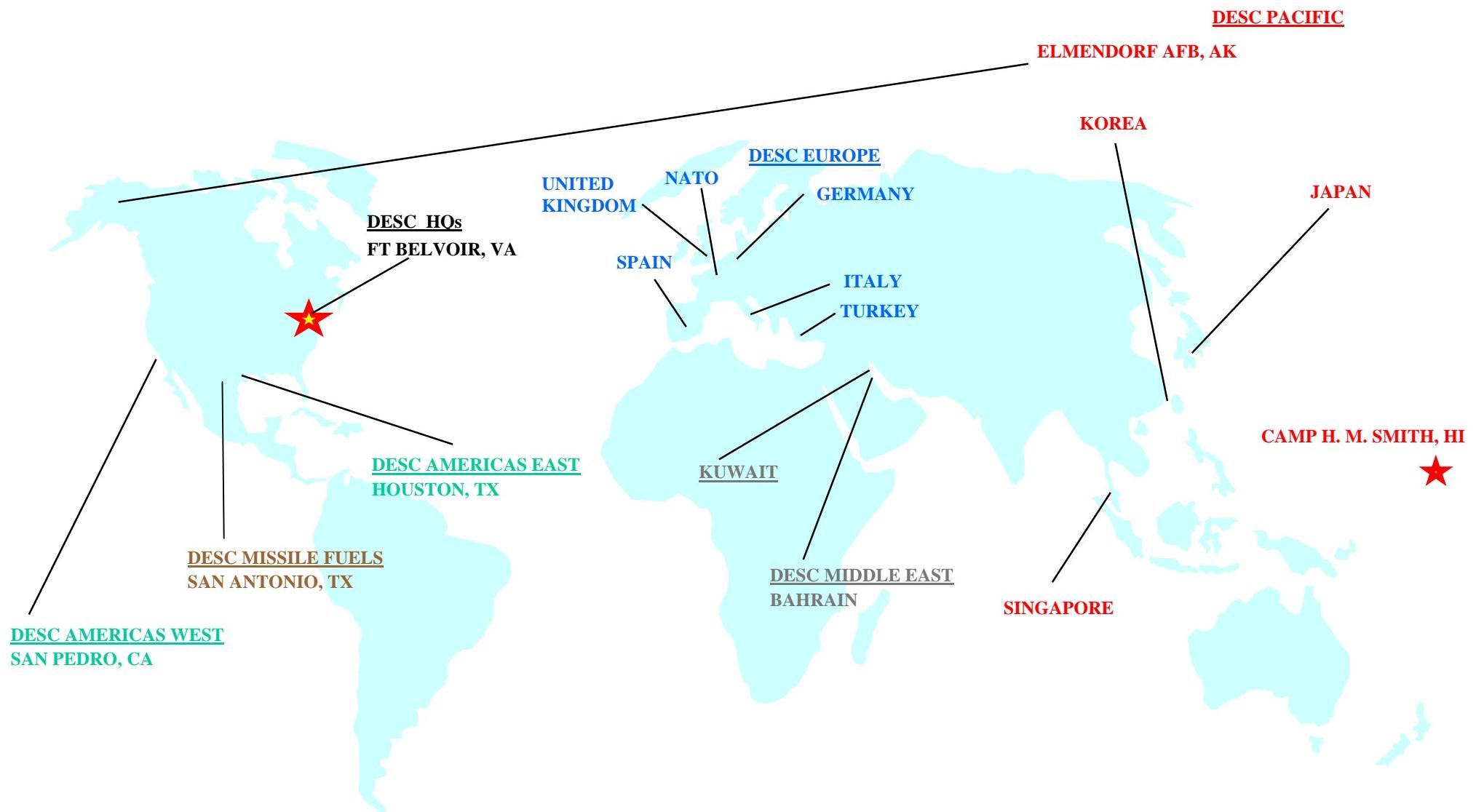
DESC is dedicated to providing continuous energy support to the warfighter and will strive to fulfill its mission in every way possible. Along with current Commodity Business Unit's (CBUs) mission requirements, DESC will support and play an integral part in DLA strategies and initiatives. DESC's continuing support consists of the following:

- Designation of a DESC Program Manager for Research and Development (R&D) on July 29, 2005 for the establishment of a DESC Program Office in fiscal year 2006;
- Maintain on-going efforts supported by DESC R&D Funding to include; study of Hydrogen as a defense fuel, study to identify adaptive planning systems throughout DOD that use CL III data, and study of JP-8 +100 additive;
- We will enhance and further develop DESC's Balanced Scorecard (BSC) to provide a true representation of DESC's business and align strategically to DLA's BSC;
- We will ensure DESC's financial statements are measured internally to commercial audit standards and procedures and reflect a true picture of DESC's financial operations;
- We will seek out and continue to implement strategic supplier/vendor alliances whenever possible;
- We aggressively support the Office of the Secretary of Defense (OSD) to achieve its goal of privatizing on-base utility infrastructure to maximize energy efficiency and better support the Warfighter.
- We will continue to gain a better understanding and implement newly deployed Customer Relationship Management processes in Marketing, Sales, Service, and Analytics that will provide us with a structured and disciplined approach to increase efficiency, reduce costs and better support our customers.

DESC ORGANIZATION



DESC WORLDWIDE LOCATIONS



BIOGRAPHY

RICHARD J. CONNELLY

Director, Defense Energy Support Center

Mr. Richard J. Connelly became Director of the Defense Energy Support Center (DESC) November 3, 2003. As Director of the Defense Energy Support Center, Defense Logistics Agency, Fort Belvoir, Virginia, Mr. Connelly directs the Department of Defense (DoD) organization that is responsible for purchasing and managing all petroleum resources used by the United States military. In addition, Mr. Connelly guides the growing mission of total energy support by developing strategies to buy and sell deregulated electricity and natural gas to DoD and other federal agency customers. In his capacity as the Director, Mr. Connelly also directly supports DoD's initiative to privatize the military base infrastructure that distributes those utilities (in addition to lighting, heating, air conditioning and water/wastewater systems).

Mr. Connelly is a career executive with a long history of service to DLA and the nation. He came to DLA in 1972 as a management intern in the budget office. In 1986, he was appointed to the Senior Executive Service and was named the Budget Officer for the Agency. He later served as DLA Comptroller, as Administrator of the Defense National Stockpile Center, and as the Director, DLA Support Services.

He graduated from Boston College in 1968 and served in the United States Army until 1971. He is a graduate of Office Candidate School at Fort Sill, Oklahoma, and served one year in Vietnam.



Mr. Connelly attended Stanford University Graduate School of Business as a Sloan Fellow and received a Master of Science degree in management in 1978.

In 2003, he was selected for the Presidential Rank Award of Meritorious Executive.

BIOGRAPHY

CAPTAIN MARVIN C. WENBERG II

United States Navy Deputy Director, Defense Energy Support Center

Captain Wenberg was born in Chicago, Illinois, on 15 April 1952. He graduated from West Lafayette High School in 1970, and Purdue University, West Lafayette, Indiana, in December 1976, with a Bachelor of Science in Chemistry. He is a graduate of the Navy's Petroleum, Oil and Lubricant Intern Program and the Armed Forces Staff College. He received a Master of Science degree in Petroleum Management from the Science and Business Schools, University of Kansas, and a Master of Science in Acquisition and Contract Management from the Florida Institute of Technology. Captain Wenberg is also a graduate of the University of Michigan Winter 2000 Executive Training Program.

After graduation from Purdue, he attended the Naval Officer Candidate School, Newport, Rhode Island, and was commissioned an Ensign in May 1977. Captain Wenberg was then sent to the Navy Supply Corps School, Athens, Georgia, and after graduation, he completed Submarine School at Groton, Connecticut. He then became the Supply Officer of the USS DANIEL BOONE (SSBN 629) Blue Crew. Some of his other assignments include:

Assistant to the Director, Fuel Director, Naval Supply Center, Pearl Harbor, Hawaii;
Director, Fuel Department, and Director, Material Turned Into Store, Naval Supply Center, Charleston, South Carolina;
Readiness and Services Officer, USS ENTERPRISE (CVN 65).

Originally assigned to Defense Fuel Supply Center as the Assistant Chief, Special Acquisitions Division, Captain Wenberg moved up to the position of Chief, Plans, Policy and Systems Office and then became the Executive Officer.

In May 1998, Captain Wenberg reported to United States Strategic Command to assume the duties of Chief, Weapon Systems Logistics and Readiness Division (J44), which included nuclear surety functions. In

June 2000, Captain Wenberg assumed additional responsibilities as Chief, Combat Logistics and Readiness Division (J41), Operations and Logistics Directorate, when the Mobility Plans Division, J42, and his former J44 Division were disestablished and replaced by the J41 Division. Captain Wenberg assumed duties as Commanding Officer of the Naval Petroleum Office on 26 April 2002. In this assignment, he was responsible for providing leadership and technical direction for all petroleum programs within the Navy and Marine Corps. This integrates all Naval Petroleum duties. On 6 August 2003, Captain Wenberg assumed duties of the Deputy Director of the Defense Energy Support Center.

He is authorized to wear the Naval Aviation Supply Officer and Submarine Breast Insignias. Captain Wenberg is designated a Joint Services Officer in the Department of Defense. Some of his personal awards include the Defense Superior Service Medal, the Legion of Merit and the Defense Meritorious Service Medal. He is a member of the American Chemical Society, and of the Acquisition Community in the Department of the Navy.



BIOGRAPHY

COLONEL KEITH STEDMAN

**United States Army
Director, Operations Defense Energy Support Center**

Colonel Keith Stedman is assigned as DESC's Director of Operations. He has received a Bachelor of Science Degree in Public Administration from the University of Arizona and later received a Masters Degree in Logistics Management from the Florida Institute of Technology. His military career began in 1976 and he was commissioned as a Second Lieutenant after completing Officer's Candidate School.

Colonel Stedman's military education includes the Quartermaster Basic and Advanced Officer Courses, the Leadership Executive Development Course, Armed Forces Staff College and the Army War College.

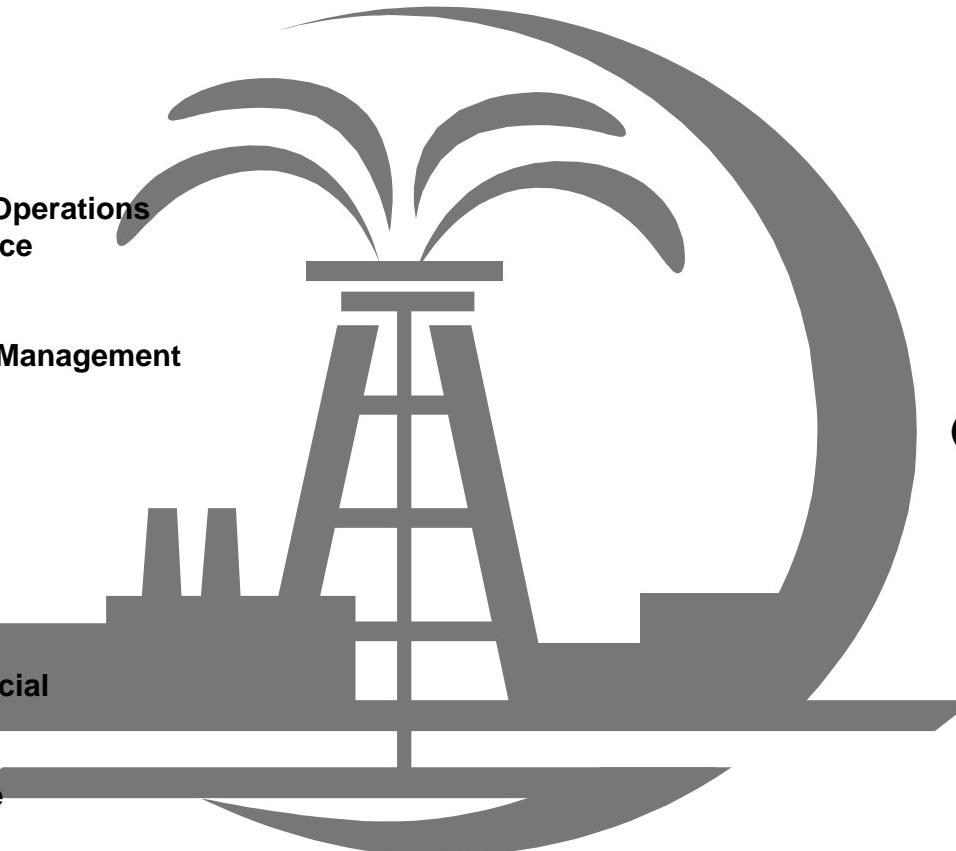
Previous assignments include Commander, 200th Materiel Management Center, Strategic Research Analyst, Strategic Studies Institute; Commander of the 559th Quartermaster Battalion (WS); Chief of both the United States Southern Command and United States Pacific Command Joint Petroleum Offices; Battalion Executive Officer and Support Operations officer, 7th Support Battalion (F), 7th Infantry Division (L); Division Chief, Sacramento Army Depot; Commander B Company, 4th Support Battalion (AVN), 9th Infantry Division (MTR), and Battalion S3, 4th Support Battalion (AVN) 9th Infantry Division (MTR). He also served as a Platoon Leader and Aide de Camp.



His awards include the Legion of Merit, Defense Meritorious Service medal (first oak leaf cluster), the Army Meritorious Service Medal (third oak leaf cluster) and the Army Commendation Medal (with oak leaf cluster).

DEFENSE ENERGY SUPPORT CENTER

Director	767-9706
Deputy Director	767-9700
Executive Officer	767-9721
Corporate Communications	767-8684
Director, Operations	767-9301
Director, Contingency Plans & Operations	767-8370
Director, Energy Enterprise Office	767-5168
Director, Installation Energy	767-8572
Director, Bulk Fuels	767-9304
Director, Facilities Distribution Management	767-9360
Director, Direct Delivery Fuels	767-8500
Director, Missile Fuels	(210) 925-4456
Customer Support Office	767-2945
Business Integration Office	767-9675
Executive Agent Office	767-2946
Internal Review Office	767-9671
Small Business Office	767-9465
Office of Counsel	767-5011
Center Senior Procurement Official	767-8505
Director, BSM-E Program	767-8632
Director, Financial Operations	767-9484
Research & Development Office	767-1160
Market Research	767-8353



DEFENSE ENERGY SUPPORT CENTER

Regional Offices

DESC AMERICAS

DESC Americas
DESC Americas East
DESC Americas West

DESC PACIFIC

DESC Pacific
DESC Middle Pacific
DESC Korea
DESC Japan
DESC Alaska

DESC EUROPE

DESC Europe
DESC United Kingdom
DESC Mediterranean
DESC NATO
DESC Spain
DESC Turkey
DESC Incirlik

DESC MIDDLE EAST

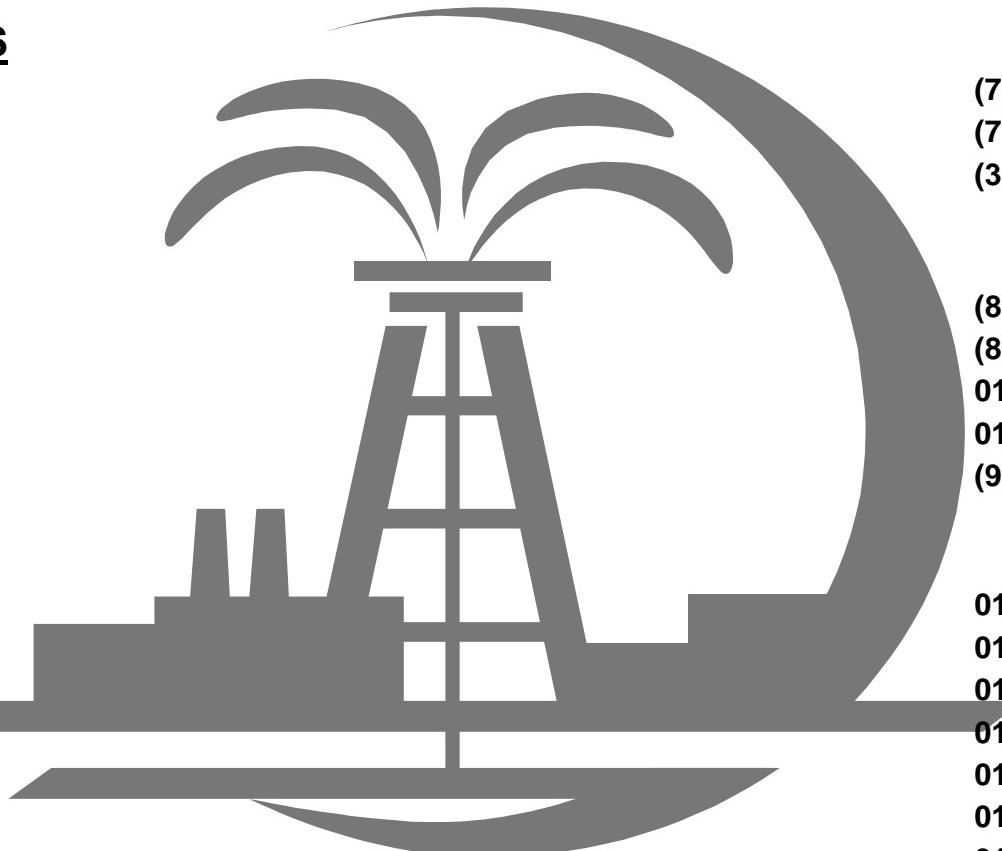
DESC Bahrain
DESC Kuwait

(703) 767-9306
(713) 718-3770 ext. 101
(310) 241-2800 ext. 101

(808) 477-3600/6692
(808) 477-5441/6692
011-82-53-470-5147/5204
011-81-311-755-2671/2673
(907) 552-3949/3941

011-49-611-380-7710
011-44-208-385-5449
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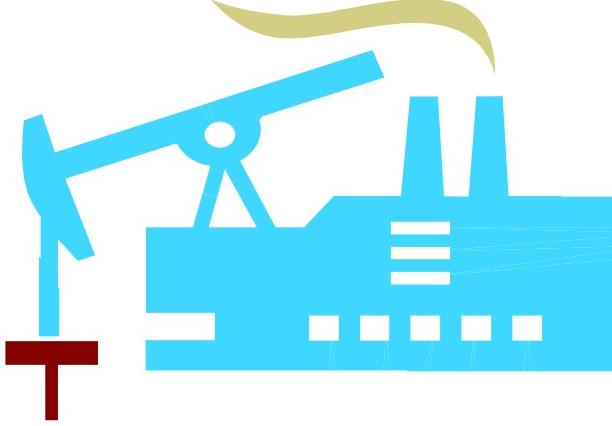
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ENERGY SUMMARY

(U.S. DOLLARS IN MILLIONS)

FY05

Purchases At Cost		\$10,150.8 (1)
Net Sales		\$ 8,328.9 (2)
Ending Inventory		\$ 4,604.6 (3)

(1) Includes Expenses for Petroleum, Natural Gas, Missile Fuel, Federal Excise Tax, Transportation, Facilities, DESC Operations, Corporate Overhead.

(2) Includes Net Sales for Petroleum, Natural Gas, and Missile Fuel.

(3) Includes Petroleum and Missile Fuel Inventory.





MILITARY AND CIVILIAN END STRENGTHS



	MILITARY		CIVILIAN	
	AUTHORIZED	ONBOARD	AUTHORIZED	On Board
FY98	82	71	658	607
FY99	81	72	649	595
FY00	76	64	610	599
FY01	76	61	621	599
FY02	76	68	710	689
FY03	76	67	804	731
FY04	78	61	772	743
FY05	78	62	795	722

OPERATIONS PROGRAM

(U.S. DOLLARS IN MILLIONS)

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>
CIVILIAN PAY	51.3	61.3	73.2	73.2
MILITARY PAY	9.2	8.2	6.4	9.7
NON-LABOR	93.5	100.5	98.5	144.6
TOTAL	\$154.0	\$170.0	\$178.1	\$227.5
<i>Average Annual Salary Rate (\$actual)</i>				
	\$76,412	\$83,301	\$91,270	\$90,754

*INCLUDES OPERATION ENDURING FREEDOM SUPPORT AND COSTS FOR THE BUSINESS SYSTEMS MODERNIZATION (BSM-E)

PETROLEUM & NATURAL GAS

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STATEMENT OF FINANCIAL CONDITIONS

BULK FUEL CATEGORY (U.S. DOLLARS IN MILLIONS)

<u>ASSETS:</u>	FY03	FY04	FY05
ACCOUNTS RECEIVABLE	304.0	291.3	534.2
CLAIMS RECEIVABLE	3.0	31.0	-
INVENTORIES	2,096.4	3,906.8	4,604.6
UNDISTRIBUTED COLLECTIONS	<300.4>	<747.7>	8.6
OTHER ASSETS	-	<0.9>	0
TOTAL ASSETS	\$2,103.0	\$3,480.5	\$5,147.4
<u>LIABILITIES:</u>			
ACCOUNTS PAYABLE	616.8	748.1	1,045.4
UNDISTRIBUTED DISBURSEMENTS	<443.2>	<449.6>	-
OTHER LIABILITIES	<.1>	36.7	73.0
TOTAL LIABILITIES	\$173.5	\$335.2	\$1,118.4
<u>CAPITAL:</u>			
CASH ALLOCATIONS	<1,789.9>	<501.7>	-
CAPITALIZED INVENTORIES	604.7	630.1	-
DECAPITALIZED INVENTORIES	<3.7>	<3.7>	-
OTHER ASSETS CAPITALIZED/DECAPITALIZED	2,256.0	2,257.8	-
OTHER LIABILITIES CAPITALIZED/DECAPITALIZED	144.6	145.2	-
ACCUMULATED OPERATING RESULTS	1671.1	617.6	4,029.0
TOTAL CAPITAL	\$2,882.8	\$3,145.3	\$4,029.0
TOTAL LIABILITIES AND CAPITAL	\$3,056.3	\$3,480.5	\$5147.4

STATEMENT OF SALES
PETROLEUM, NATURAL GAS AND MISSILE FUEL
(U.S. DOLLARS IN MILLIONS)

PRODUCT:	FY03	FY04	FY05
U.S. ARMY	372.0	439.5	984.2
U.S. NAVY	1,742.2	1,627.3	2,469.7
U.S. AIR FORCE	2,764.8	2,841.0	4,216.6
U.S. MARINE CORPS	22.7	22.7	92.3
OTHER DoD	14.8	34.8	28.1
TOTAL DoD	\$4,916.5	\$4,961.6	\$7,790.9
OTHER GOVERNMENT AGENCIES	386.2	409.2	231.6
SUBTOTAL	\$5,302.7	\$5,370.8	\$8,022.5
DISTRICT OF COLUMBIA	-	-	<4.2>
FOREIGN GOVERNMENTS	137.3	742.8	280.9
DoD CONTRACTORS	17.4	15.6	-
UNIDENTIFIED ISSUES	-	7.1	-
STATE & LOCAL GOVERNMENTS	-	-	3.3
COMMERCIAL	-	-	335.6
MWR ACTIVITY	-	-	18.2
TOTAL GROSS SALES	\$5,457.4	\$6,136.3	\$8,656.3
<u>LESS:</u>			
PRICE REDUCTION ON SALES	1.2	3.0	-
MATERIAL RETURNS/CREDITS APPLIED	248.2	207.2	327.4
NET SALES	\$5,206.1	\$5,926.1	\$8,328.9

NET SALES BY CATEGORY

PETROLEUM AND NATURAL GAS

PETROLEUM (Thousands of Barrels)			
<u>BULK and PC&S:</u>	FY03	FY04	FY05
AVGAS	4	7	8
DISTILLATES & DIESEL	24,528	22,084	22,569
GASOHOL	7	9	23
JP-4, JAB, JAA, & JA1	2,721	1,818	2,199
JP-5	16,294	13,974	13,246
JP-8, JTS	81,022	78,238	78,290
LUBE OILS	28	28	28
MOGAS (LEADED & UNLEADED)	1,541	895	2,252
RESIDUALS	1,094	1,281	1,151
BULK SUBTOTAL	127,239	118,334	119,766
TF-RIO	-	10,042	-
INTO-PLANE	4,780	5,094	4,324
BUNKERS	8,026	8,370	6,683
LOCAL PURCHASE	2,455	2,160	2,015
TOTAL PETROLEUM	142,500	144,000	132,788
NATURAL GAS (Millions of Dekatherms)	18.45	17.60	16.37

PRODUCT COST

PETROLEUM AND NATURAL GAS

PETROLEUM (U.S. DOLLARS IN MILLIONS)			
BULK CATEGORY:	FY03	FY04	FY05
AVGAS	0.7	1.2	2.8
DISTILLATES & DIESEL	901.7	919.8	1,393.9
GASOHOL	0.4	0.5	1.9
JP-4, JAB, JAA, & JA1	529.6	231.7	518.2
JP-5	653.8	722.7	863.9
JP-8, JTS	2,659.4	3,425.7	4,965.4
LUBE OILS	3.5	3.5	3.9
MOGAS (LEADED & UNLEADED)	65.5	55.1	149.1
RESIDUALS	50.0	38.4	37.6
BULK SUBTOTAL	\$4,864.6	\$5,398.6	\$7,936.7
TF-RIO	-	561.4	-
INTO-PLANE CATEGORY	258.1	315.3	354.7
BUNKERS CATEGORY	297.6	332.0	376.4
LOCAL PURCHASE	144.0	143.5	175.2
TOTAL PETROLEUM	\$5,564.3	\$6,750.8	\$8,843.0
NATURAL GAS	\$96.6	\$99.3	\$128.2
MISSILE FUEL	\$36.1	\$32.2	\$25.1

PURCHASES BY CATEGORY

PETROLEUM AND NATURAL GAS

PETROLEUM (Thousands of Barrels)			
BULK and PC&S:	FY03	FY04	FY05
AVGAS	5	7	16
DISTILLATES & DIESEL	25,245	21,039	21,206
GASOHOL	8	9	21
JP-4, JAB, JAA, & JA1	11,390	5,356	9,283
JP-5	17,918	16,055	12,828
JP-8, JTS	72,202	74,710	71,349
LUBE OILS	28	28	29
MOGAS (LEADED & UNLEADED)	1,493	692	2,103
RESIDUALS	1,561	1,347	903
BULK SUBTOTAL	129,850	119,243	117,738
TF-RIO	-	10,042	-
INTO-PLANE CATEGORY	4,777	5,094	4,321
BUNKERS CATEGORY	8,023	8,286	6,670
LOCAL PURCHASE	2,459	2,160	2,018
TOTAL PETROLEUM	145,109	144,825	130,747
NATURAL GAS (Millions of Dekatherms)	18.5	17.6	16.4

WORLDWIDE BULK FUEL ENDING INVENTORY FY05

PETROLEUM INVENTORY (Barrels & U.S. Dollars in Millions)

PRODUCT

AVGAS
DISTILLATES & DIESEL
JP-4 (JP-4, JAB, JAA, & JA1)
JP-5
JP-8
LUBE OILS
MOGAS (LEADED & UNLEADED)
RESIDUALS
ADDITIVES



	FY04		FY05	
	<u>BARRELS</u>	<u>DOLLARS</u>	<u>BARRELS</u>	<u>DOLLARS</u>
AVGAS	0.0	\$0.3	0.0	\$0.5
DISTILLATES & DIESEL	10.4	\$544.7	9.6	\$758.6
JP-4 (JP-4, JAB, JAA, & JA1)	2.9	\$188.7	4.7	\$411.2
JP-5	14.7	\$821.7	14.9	\$1,266.2
JP-8	28.4	\$1,963.2	29.6	\$2,128.2
LUBE OILS	0.0	\$3.1	0.0	\$0.9
MOGAS (LEADED & UNLEADED)	0.2	\$13.3	0.2	\$17.2
RESIDUALS	0.4	\$11.2	0.3	\$9.4
ADDITIVES	0.0	\$4.0	0.0	\$12.4
TOTAL ON-HAND & INTRANSIT	59.5	\$3,879.2	59.3	\$4,604.6

DIRECT SUPPLY NATURAL GAS PROGRAM SUMMARY FY05



Dekatherms (DTH) and Dollars

	<u>TOTAL DTH</u>	<u>TOTAL VALUE</u>
DWCF FUNDED	16.03M	\$109.63M
SERVICE FUNDED	31.44M	\$229.37M
TOTALS	47.47M	\$339.00M

INFRASTRUCTURE DATA

<u>TITLE</u>	<u>PAGE</u>
Number of Defense Fuel Support Points	24
Cost of Storage/Distribution Services	25
Sustainment, Restoration and Modernization	26
Number and Size of Domestic Refineries	27

NUMBER OF DEFENSE FUEL SUPPORT POINTS STORING GOVERNMENT-OWNED FUEL

FY05

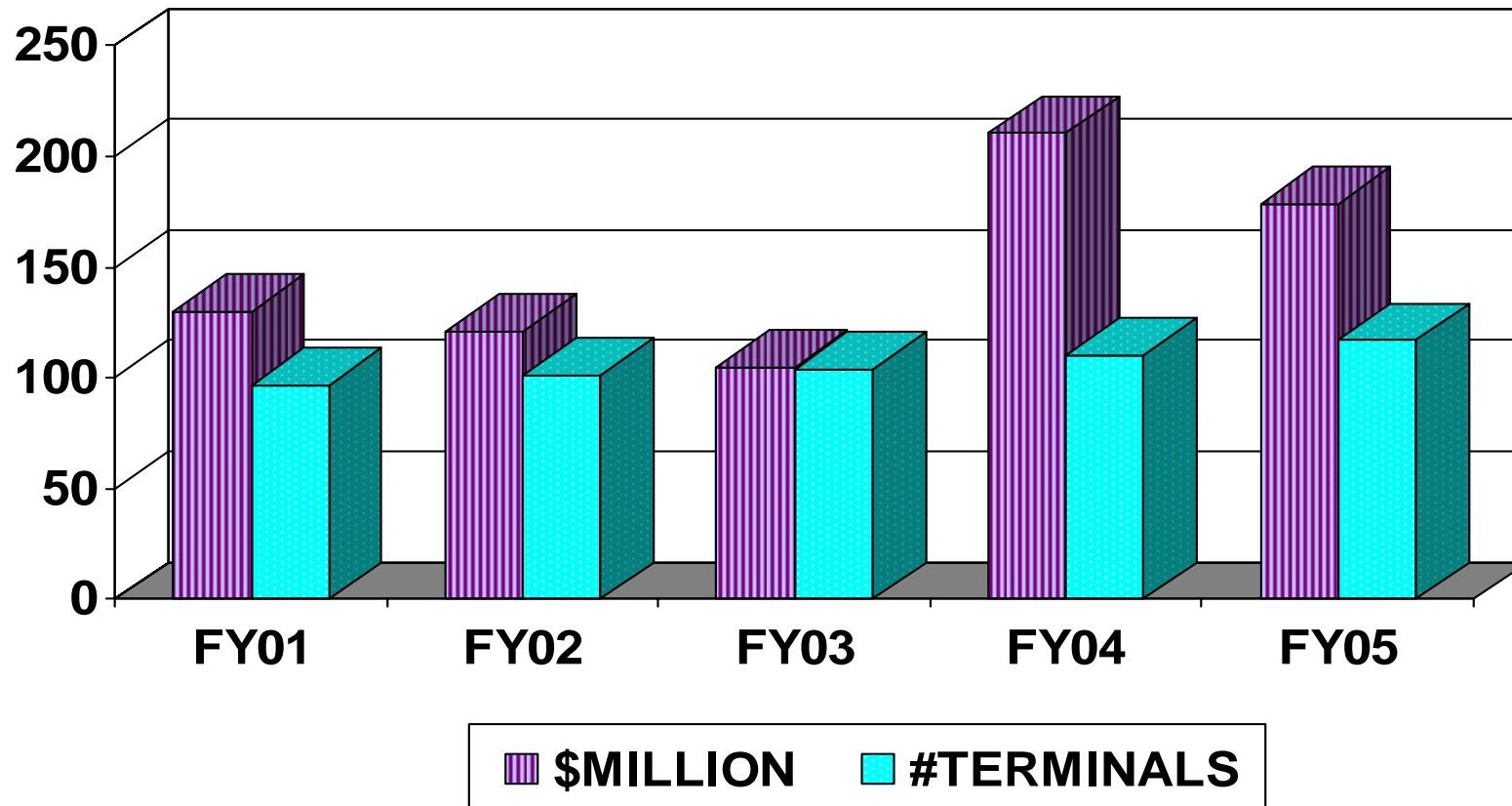
<u>TYPE OF OPERATION</u>	ARMY	NAVY	AIR FORCE	DLA	TOTAL
GOVERNMENT-OWNED GOVERNMENT-OPERATED (GOGO)	175	41	166	0	382
GOVERNMENT-OWNED CONTRACTOR-OPERATED (GOCO)	22	30	42	18*	112
CONTRACTOR-OWNED CONTRACTOR-OPERATED (COCO)	0	0	0	39	39
NORTH ATLANTIC TREATY ORGANIZATION (NATO)	0	0	0	7	7
COMMERCIAL PIPELINE	0	0	0	45	45
FLOATING STORAGE	0	59	0	0	59
FOREIGN GOVERNMENT (FG)	3	0	4	8	12
TOTAL	197	130	212	117	656

Note: Defense Fuel Support Points (DFSPs) as of September 30, 2005

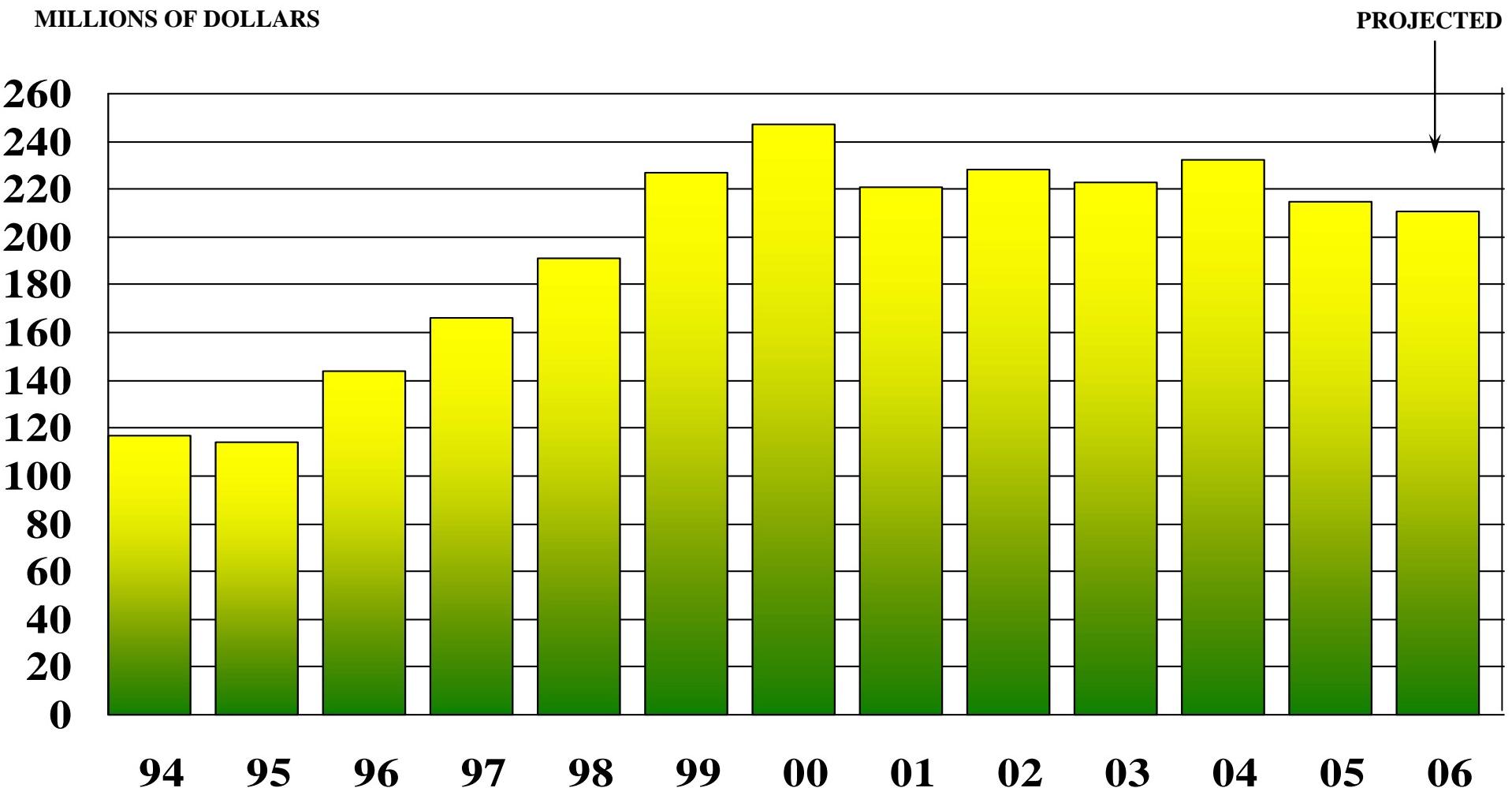
* Includes 2 Service-managed, DLA-funded GOCOs

GOCOs in caretaker status during environmental cleanup not included in numbers

COST OF STORAGE/DISTRIBUTION SERVICES GOGO/GOCO/COCO/FG/NATO



SUSTAINMENT, RESTORATION AND MODERNIZATION



NUMBER AND SIZE OF DOMESTIC REFINERIES (BY CALENDAR YEAR)

<u>Crude Distillation Capacity</u> <u>Battels/Day</u>	<u>1990</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Change</u> <u>1990 - 2005</u>
Less Than 50,000	106	57	55	54	52	49	47	47	42	-64
50,000 - 100,000	38	37	42	42	41	40	40	39	39	0
100,001 - 175,000	32	26	25	24	23	22	22	23	23	-8
Over 175,000	23	31	32	32	34	36	36	36	38	15
Total	199	151	154	152	150	147	145	145	142	-57

Source for 1986-1994, 1997, 1999-2005: US Department of Energy

Source for 1996, 1998: Oil and Gas Journal

DESC BUSINESS VENTURES

<u>TITLE</u>	<u>PAGE</u>
DESC Optimization Projects	28
Energy Savings Performance Contract Awards	29
Utility Privatization Awards/Cost Avoidance	30-32
Small Business Program Achievements	33

DESC OPTIMIZATION PROJECTS

(\$ IN MILLIONS)

LOCATION	SERVICE	TYPE	CONTRACT DATE	SAVINGS	NOTE
Ft Bragg, NC	USA	COCO	Apr-98	7.5	*
Schofield Barracks, HI	USA	COCO	Jun-98	6.7	*
Ft Jackson, SC	USA	COCO	Jun-99	1.5	*
29 Palms, CA	USMC	COCO	Jul-99	5.2	*
Ft Hood, TX	USA	GOCO	Dec-00	4.5	**
Hunter AAF, GA	USA	GOCO	Dec-00	0.7	**
Ft Stewart, GA	USA	COCO	Jun-01	3.5	*
MC Bases, Okinawa	USMC	GOCO	Apr-02	2.0	**
Ft Gordon, GA	USA	COCO	Oct-02	0.5	**
Moffett, CA	ANG/NASA	COCO	May-03	5.0	*
Ft Lewis, WA	USA	COCO	Sep-03	6.0	***
Simmons/Camp Mackall, NC	USA	GOCO	Sep-03	3.5	*
Ft. Carson, CO	USA	COCO	Mar-04	8.7	*
Ft. Campbell, KY	USA	COCO	Jul-05	2.1	*
TOTAL				\$57.4	

* Savings are 20 year NPV (\$M)

** Savings are 5 year NPV (\$M)

*** Savings are 4 year NPV (\$M)

ENERGY SAVINGS PERFORMANCE CONTRACT AWARDS TO DATE

LOCATION	ENERGY CONSERVATION MEASURES	ENERGY SERVICE COMPANY (ESCO)	DATE	TOTAL AWARD AMOUNTS	CONTRACT TERM
Fort Hood, TX	UMCS Improvements Vending Machine Controls Cooling Tower VFDs Lighting Retrofit	Johnson Controls	Sep 03	\$13.6 M	22 years
Fort Monmouth, NJ	Lighting Upgrade HVAC Renovation UESC Implementation GHP Cogeneration System Site Preparation/Feasibility	Ameresco Solutions	Sep 03	\$56.6M	23 years
Carlisle Barracks, PA	Direct Digital Controls HVAC	EPS	Jul 02	\$16.3M	17 years
Fort Hamilton, NY	Lighting Retrofits Energy Management Control System Water Savings	ConEdison Solutions	Nov 01	\$7.3M	15 years
Fort Jackson, SC	Lighting Upgrades GSHP Retrofits Chiller Plant Upgrades Demand Limiting System	Ameresco Solutions	Sep 01	\$43.8M	22 years
Aberdeen Proving Ground, MD	GSHP	CES	Sep 01	\$15.0M	20 years
Northeast Regional Office (NERO) formerly MDW	15 ECMS	Pepco Gov't Services LLC	Jul 99	\$216.0M	18 years

NOTE: FY 04 & 05 projects were placed on hold since legislative authority had expired. New legislative authority was enacted as of August 05 and energy savings projects are now proceeding.

UTILITY PRIVATIZATION AWARDS/COST AVOIDANCE

LOCATION	SYSTEM	CONTRACTOR	DATE	TOTAL AWARD AMOUNTS	COST AVOIDANCE Annual \$ (Estimated)	% SAVINGS (Annual % on NPV Basis) (Estimated)
Fort Lee, Virginia	Wastewater	American States Utility Services	Sep 05	\$141.6 combined for 50 Years	\$2,400,000	12.5.8%
Fort Monroe Fort Story Fort Eustis, Virginia	Water/ Wastewater	American States Utility Services	Sep 05	\$75.0M for 50 Years	\$7,270,000	16.0%
Andrews Air Force Base, Maryland	Water/ Wastewater	American States Utility Services	Sep 05	\$113.6M for 50 Years	\$497,000	22%
Bolling AFB, Washington DC	Water/ Wastewater	Washington Suburban Sanitary District	Sep 05	\$12.1M for 50 Years	\$119,040	31.3%
Fort Leavenworth, Kansas	Electric	Leavenworth-Jefferson Electric Cooperative	Sep 05	\$82.1M for 50 Years	\$239,849	14.6%
Natick, Solider System Command, Massachusetts	Electric	N-Star Power Company	Sep 05	\$.067M for Design Phase	TBD	TBD

UTILITY PRIVATIZATION AWARDS/COST AVOIDANCE (Cont.)

LOCATION	SYSTEM	CONTRACTOR	DATE	TOTAL AWARD AMOUNTS	COST AVOIDANCE Annual \$ (Estimated)	% SAVINGS (Annual % on NPV Basis) (Estimated)
Fort Knox, Kentucky	Wastewater/ Stormwater	Hardin County Water District No.1	Sep 04	\$150.0M combined for 50 Years	\$2,170,364	33.8%
Fort Monroe Fort Story Fort Eustis, Virginia	Electric	Dominion Virginia Power Corporation	Jun 04	\$73.1M 50 Years	\$582,000	15.0%
Fort Lee, Virginia	Electric	Dominion Virginia Power Corporation	Jun 04	\$67.5.0M 50 Years	\$96,000	15.0%
Fort Bliss, Texas	Water/ Wastewater	American States Utility Services	Jun 04	\$197.5M 50 Years	\$13,936,000	7.5%
Bolling AFB, Washington DC	Water/ Wastewater	Washington Suburban Sanitary District	Nov 03	\$12.1M 50 Years	\$119,040	31.3%
Dobbins ARB, Georgia	Electric	Georgia Power Corporation	Oct 03	\$7.9M 50 Years	\$179,400	32.0%
Randolph AFB, Texas	Wastewater	San Antonio River Authority	Sep 03	\$11.9M 50 Years	\$30,180	11.2%
Sunny Point, North Carolina	Electric	Brunswick Electric Membership Cooperation	Sep 03	\$42.0M 50 Years	\$512,548	4.3%
Fort Leavenworth, Kansas	Water/ Wastewater	American Water Services (AWS)	Sep 03	\$47.0M 50 Years	\$349,361	13.5%

UTILITY PRIVATIZATION AWARDS/COST AVOIDANCE (Cont..)

LOCATION	SYSTEM	CONTRACTOR	DATE	TOTAL AWARD AMOUNTS	COST AVOIDANCE Annual \$ (Estimated)	% SAVINGS (Annual % on NPV Basis) (Estimated)
Fort Rucker, Alabama	Water/Wastewater	American Water Services (AWS)	Sep 03	\$54.0M 50 years	\$900,761	13.3%
Fort Rucker, Alabama	Electric	Alabama Power Corporation	May 03	\$88.0M 20 years up to 50	\$335,000	13.3%
Fort Rucker, Alabama	Natural Gas	Southeast Alabama Gas District	Apr 03	\$8.6M 50 years	\$329,000	52.8%
Fort Bliss, Texas	Natural Gas	Texas Gas Service	Mar 03	\$9.5M 10 years up to 50	\$34,300	12.0%
Fort McNair, DC	Natural Gas – GSA	Washington Gas & Light Company	Feb 03	\$403.0K 10 years	\$167,386	89.7%
Fort Bliss, Texas	Electric	Rio Grande Electric Cooperative	Oct 02	\$98.0M 50 years	\$1,360,000	40.4%
Picatinny Arsenal, New Jersey	Electric	Sussex Rural Electric Cooperative	Sep 02	\$43M 50 years	\$313,000	26.4%
Minn-St Paul	Gas	Minneapolis Gas Company	Sep 01	\$92K 6 years	\$13,834	47.5%
Bolling AFB DC	Gas	Washington Gas & Light Company	Jul 01	\$428K 6 years	\$16,005	15.6%
Fort Detrick, Maryland	Gas	Washington Gas & Light Company	Dec 00	\$451K 6 years	\$49,866	35.6%

SMALL BUSINESS PROGRAM ACHIEVEMENTS

(In Thousands)

Small Business Preference Programs.	FISCAL YEAR 03			FISCAL YEAR 04			FISCAL YEAR 05		
	TARGETS	PERFOR.	DOLLARS	TARGETS	PERFOR.	DOLLARS	TARGETS	PERFOR.	DOLLARS
Small Business Awards	23.00%	21.20%	\$ 720,030	23.00%	29.90%	\$ 1,188,743	23.00%	33.10%	\$ 2,385,759
Small Disadvantaged Business Awards	5%	4.20%	\$ 142,154	5%	3.60%	\$ 143,575	4%	4.60%	\$ 333,592
Direct Competitive			\$ 136,617			\$ 144,060			\$ 325,668
Section 8(a)	0.50%	0.20%	\$ 5,537	0.50%	0.00%	\$ (485)	0.50%	0.11%	\$ 7,924
Women-Owned Small Business Awards	1.30%	0.50%	\$ 17,703	1.40%	1.00%	\$ 41,397	1.30%	1.90%	\$ 137,630
Hubzone Small Business Awards	2.10%	1.80%	\$ 60,649	2.50%	1.40%	\$ 57,411	2.10%	2.90%	\$ 209,863
Svc-Disabled Vet-Owned Small Business Awards	3%	0.00%	\$ 25	3%	0.00%	\$ 275	.70%	0.00%	\$ 1,454
Total Domestic Awards			\$ 3,396,521			\$ 3,971,769			\$ 3,401,890

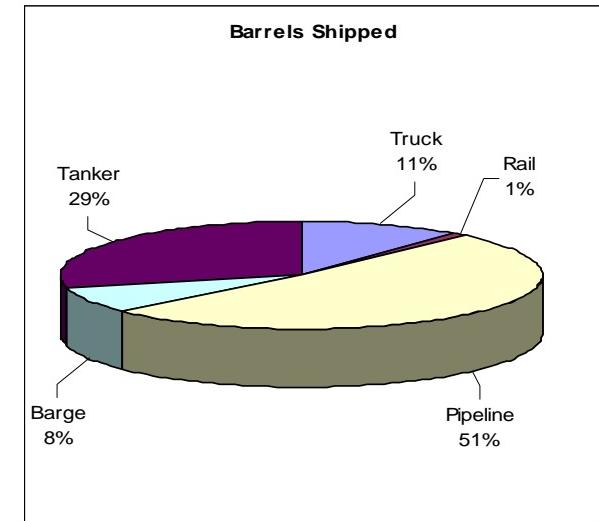
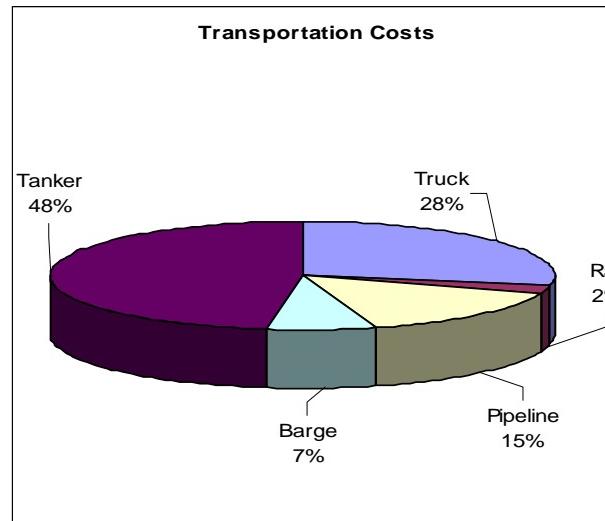
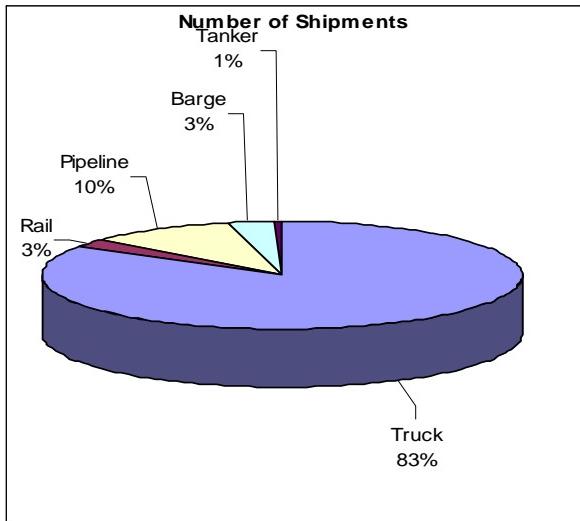
Note: All percentages based on total domestic dollars awarded

FUEL TRANSPORTATION

<u>TITLE</u>	<u>PAGE</u>
FY05 World-Wide Bulk Product Transportation	34
Transportation Expense	35
Demurrage Collected	36

FY05 WORLD-WIDE BULK PRODUCT TRANSPORTATION

(Frequency – Cost – Volume)



		TRUCK	RAIL	*PIPELINE	BARGE	TANKER	TOTAL
<u>CONUS</u>	Shipments	19,360	499	2,538	1,098	61	23,556
	Cost (\$ Millions)	\$ 44.7	\$ 4.3	\$ 47.2	\$ 21.0	\$ 37.2	\$ 154.4
	Barrels (Millions)	14.8	0.7	61.1	12.9	11.7	101.2
<u>OCONUS</u>	Shipments	11,932	494	1,183	1	243	13,853
	Cost (\$ Millions)	\$ 42.3	\$ 2.7	\$ -	\$ 0.4	\$ 111.7	\$ 157.1
	Barrels (Millions)	3.0	1.0	22.8	0.1	34.9	61.8
<u>TOTAL</u>	Shipments	31,292	993	3,721	1,099	243	37,409
	Cost (\$ Millions)	\$ 87.0	\$ 7.0	\$ 47.2	\$ 21.4	\$ 148.9	\$ 311.5
	Barrels (Millions)	17.8	1.7	83.9	13.0	46.6	163.0

* Costs associated with OCONUS Pipeline shipments are funded under International Agreement (DESC-F) and have been excluded to avoid duplication information.

** Costs associated with OCONUS Tankers include Pre-positioned Vessels.

TRANSPORTATION EXPENSE

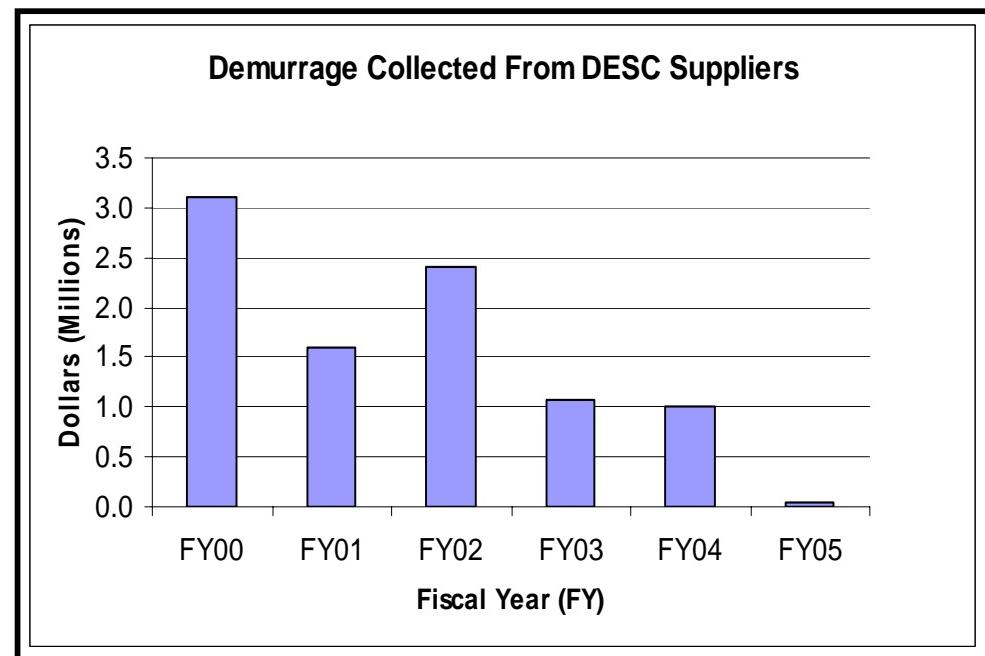
(U.S. DOLLARS IN MILLIONS)

<u>WORLDWIDE PETROLEUM FUEL:</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>
AVGAS	-	-	0.1
DISTILLATES & DIESEL	66.8	48.2	68.0
JP-4, JAB, JAA, & JA1	35.8	12.3	29.7
JP-5	54.7	42.4	41.1
JP-8, JTS	219.4	97.9	228.6
LUBE OILS	0.1	0.1	0.1
MOGAS (LEADED & UNLEADED)	3.3	2.7	6.8
RESIDUALS	1.4	2.1	2.9
TOTAL	\$381.5	\$305.7	\$377.3
WORLDWIDE MISSILE FUEL	\$2.1	\$0.9	\$2.7

DEMURRAGE COLLECTED

(U.S. DOLLARS IN MILLIONS)

FISCAL YEAR	TOTAL
2005	\$0.04 *
2004	\$1.00
2003	\$1.08
2002	\$2.40
2001	\$1.60
2000	\$3.10

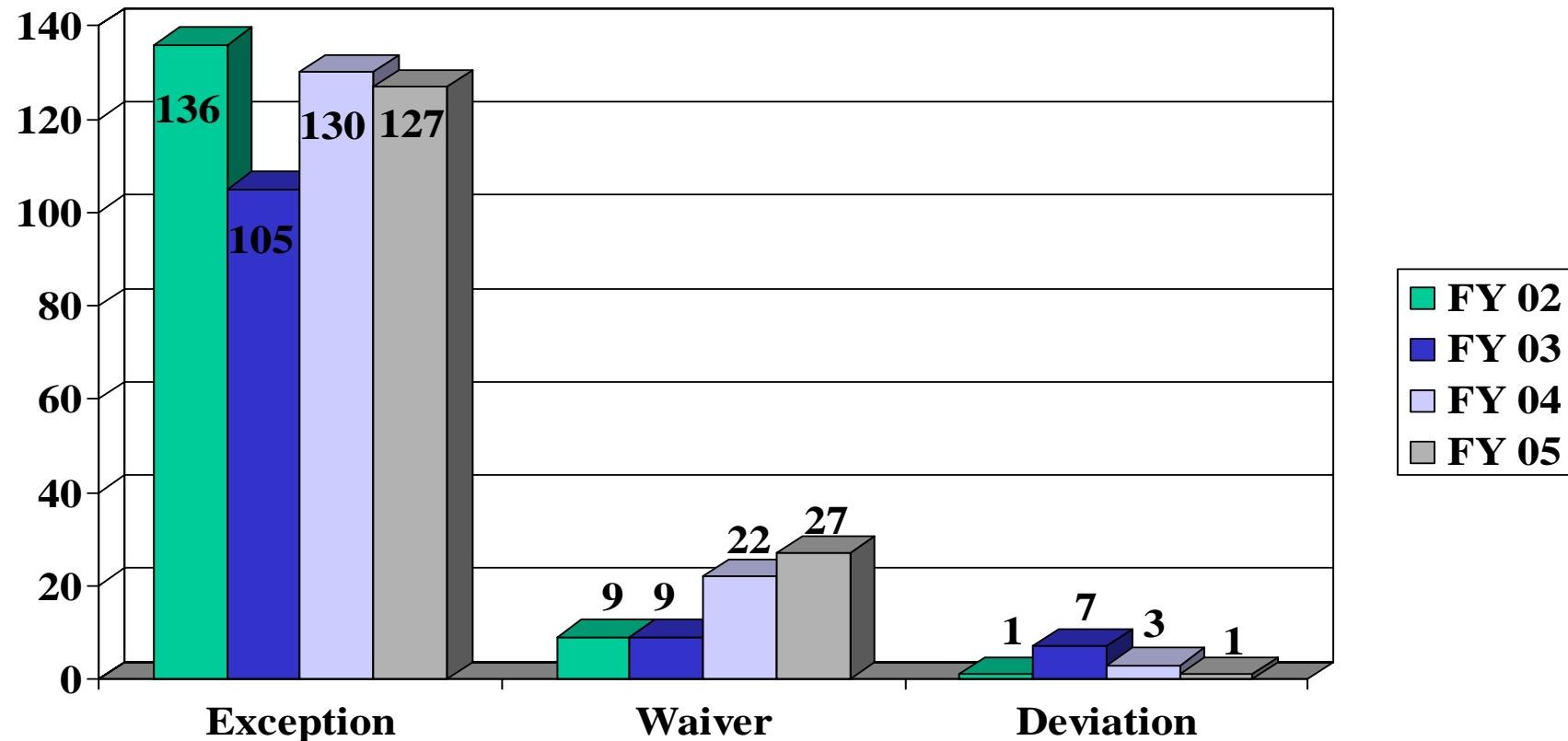


* FY 05 value lower due to increased awareness of DESC suppliers and more realistic assessments of liability.

PRODUCT TECHNICAL REVIEWS

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Direct Delivery Technical Review (Bar Chart)	40
Direct Delivery Technical Review	41
Direct Delivery Top Five Technical Review	42

PRODUCT TECHNOLOGY AND STANDARDIZATION TECHNICAL REVIEWS FOR BULK PROGRAMS (FY02 to FY05)



PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION

TECHNICAL REVIEWS FOR BULK PROGRAMS

FY 05

BULK PROGRAM	Exception	Waiver	Deviation	Total
Atlantic/Europe/Mediterranean 1/	20	3	0	23
Deep Freeze (Antarctica)	2	0	0	2
Foreign Military Sales	11	2	0	13
Inland/East/Gulf Coast 2/	9	5	1	15
Lubes/Additives3/	6	6	0	12
Rocky Mountain/West 4/	12	6	0	18
Western Pacific 5/	20	2	0	22
Afghanistan/Pakistan	47	0	0	47
Iraq	0	2	0	2
Jordan	0	1	0	1
	127	27	1	155

^{1/} **Atlantic/Europe/Mediterranean:** Spain, Azores, Central Europe, United Kingdom, Norway, Italy, Greece, Turkey, Ascension Island, and Germany

^{2/} **Inland/East/Gulf Coast:** Alabama, Arkansas, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Guantanamo Bay, Bermuda, Canal Zone, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas (except El Paso), Vermont, Virginia, West Virginia, Wisconsin, and Wyoming.

^{3/} **Lubes/Additives: LO6, LA6, LTL and FSII**

^{4/} **Rocky Mountain/West:** Alaska, Arizona, California, Hawaii, Idaho, Johnston Island, Kwajalein, Montana, Nevada, Oregon, New Mexico, Utah, Washington, Wake Island, and El Paso, TX.

PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION
TOP SEVEN TECHNICAL REVIEWS SUBMITTED BY
FUEL SUPPLIERS UNDER THE BULK PROGRAM¹
FY05

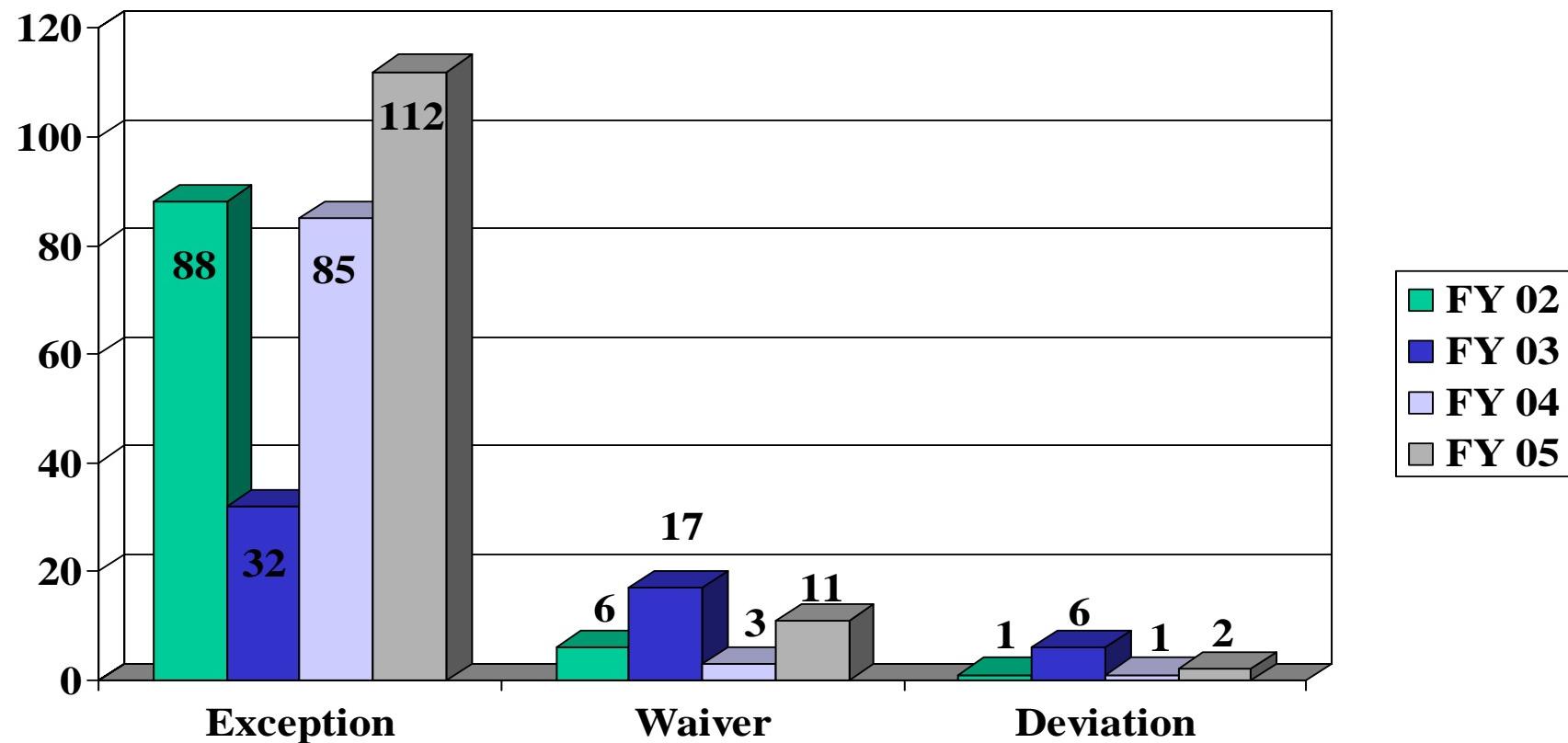
<u>Technical Reviews</u>	<u>Percent of Total Reviews</u>
Pour/Cloud Point	10.3
Specification Review	9.0
Additives	8.4
Octane	7.7
Alternate Test Methods	7.0
Particulate Contamination	7.0
Distillation	<u>5.8</u>
<u>TOTAL</u>	<u>55.2</u>

1/ The above chart is all inclusive of exceptions, waivers and deviations and provides information on the type of request submitted by fuel suppliers.

PRODUCT TECHNOLOGY & STANDARDIZATION

TECHNICAL REVIEWS FOR DIRECT DELIVERY PROGRAMS

(FY02 to FY05)



PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION

TECHNICAL REVIEWS FOR DIRECT DELIVERY

FY 05

<u>DIRECT DELIVERY PROGRAM</u>	<u>EXCEPTION</u>	<u>WAIVER</u>	<u>DEVIATION</u>	<u>OTHER</u>	<u>TOTAL</u>
Afghanistan/Pakistan	20	0	0	0	20
Bosnia PC&S	0	4	0	0	4
Bunkers (Domestic)	0	3	0	0	3
Bunkers (Overseas)	67	2	0	0	69
Domestic PC&S	11	0	0	0	11
Guam & Tinian	8	0	0	0	8
Honduras	1	0	0	0	1
INTO Plane (Domestic)	0	0	1	0	1
INTO Plane (Overseas)	2	2	1	0	5
Italy Coupons	3	0	0	0	3
	112	11	2	0	125

Exception: A request made by an offeror to deviate from the proposed solicitation requirements before contract award. (Example: The solicitation requires JP8 and the offeror states that he can only offer or guarantee Jet A1)

Waiver: A request made by a contractor to deviate from contract requirements after production of the product (one-time request only or for a set period). (Example: The contractor tests the finished product and finds the distillation 10% recovered temperature does not meet specification requirement. The contractor requests DESC to accept the product as is.)

Deviation: A request made by contractor to deviate from contract requirements after contract award but prior to production of the product. (Example: A contractor receives a new crude oil and believes he shall deviate from a particular specification requirement using his normal production process. The contractor requests permission to deviate in anticipation of not meeting the specification.)

PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION
TOP FIVE TECHNICAL REVIEWS SUBMITTED BY FUEL SUPPLIERS
UNDER DIRECT DELIVERY¹
FY05

<u>Technical Reviews</u>	<u>Percent of Total Reviews</u>
Specification Review	22.4
Cloud/Pour point	13.6
Distillation	9.6
Viscosity	8.8
Cetane	<u>6.4</u>
<u>TOTAL</u>	<u>60.8</u>

1/ The above chart is all inclusive of exceptions, waivers and deviations and provides information on the type of request submitted by fuel suppliers.

INTERNATIONAL AGREEMENTS

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Facility/Service Agreements	43
Product Agreements	44

FACILITY/STORAGE/PIPELINE & PRODUCT SERVICE AGREEMENTS

FY05

(U.S. DOLLARS IN MILLIONS)

<u>REGION</u>	<u># AGREEMENTS</u>	<u>ANNUAL COST (Estimated)</u>
DESC-EUROPE	11	\$55.2
DESC-MIDDLE EAST	3	\$37.9
DESC-PACIFIC	2	\$16.0
DESC-AMERICAS	2	\$4.0
FEA'S/RIK'S	18	\$97.7**
TOTAL	36	\$211.4



** Net: Sales to Foreign Govt = \$164.5 / Recd from Foreign Govt = \$66.8

PRODUCT AGREEMENTS

FY05

(U.S. DOLLARS IN MILLIONS)

<u>REGION</u>	<u># AGREEMENTS</u>	<u>ANNUAL COST (Estimated)</u>
DESC-EUROPE	0	\$0
DESC-MIDDLE EAST	3	\$498.0
DESC-PACIFIC	1	\$70.0
FEA'S/RIK'S	18	\$46.4**
TOTAL	22	\$614.4



*Foreign exchange agreements/replacement in kind **Net: Sales to Foreign Govt = 71.9M / Recvd from Foreign Govt = 25.5M

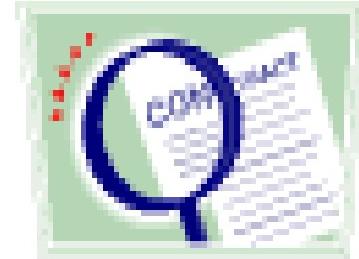
DESC CONTRACT STATISTICS

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Installation Energy 2005 Contract Awards	55
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Alongside Aircraft Refueling	59

PETROLEUM CONTRACT INTRODUCTION FY05

NATURE OF DESC PETROLEUM PRODUCT CONTRACTS

- ✓ Contracts are requirements-type contracts.
- ✓ Minimum/maximum delivery order limitations are defined.
- ✓ Fuel is called forward through delivery orders.
- ✓ Contracts contain price adjustment clauses.
- ✓ Contract prices are indexed to market price indicators.
- ✓ All indicators are carefully selected and tested by the DESC Market Research and Analysis Office.
- ✓ Contract prices are adjusted upward or downward as indicators rise or fall.
- ✓ DESC pays the contract price in effect on the date of delivery, or as otherwise adjusted in the contract price.





CONTRACT AWARD DATA



	<u>DOLLARS MILLIONS</u>	AWARD <u>ACTIONS</u>
<u>BULK FUEL DIVISION</u>		88
DOMESTIC	4,402.1	
OVERSEAS	1,881.4	
LUBES/ADDITIVES/JPTS/FMS	178.6	
OPERATION IRAQI FREEDOM/ENDURING FREEDOM	697.1	
<u>GROUND FUELS DIVISION</u>		988
DOMESTIC	842.3	
OVERSEAS	344.7	
BUNKERS	316.8	
<u>SPECIALTY FUELS DIVISION</u>		144
INTO-PLANE	651.4	
<u>FACILITIES PROCUREMENT DIVISION</u>		434
STORAGE	65.5	
ALONGSIDE AIRCRAFT REFUELING	19.6	
ENVIRONMENTAL	13.2	
TESTING/SERVICES	1.2	
MISCELLANEOUS/FMS	40.2	
<u>INSTALLATION ENERGY</u>		90
NATURAL GAS	1,019.3	
COAL	36.3	
ELECTRICITY	255.2	
<u>ENERGY ENTERPRISES</u>		
PRIVATIZATION	11.6	5
<u>MISSILE FUELS</u>	24.3	514
TOTAL	10,800.8	2,263



FY05

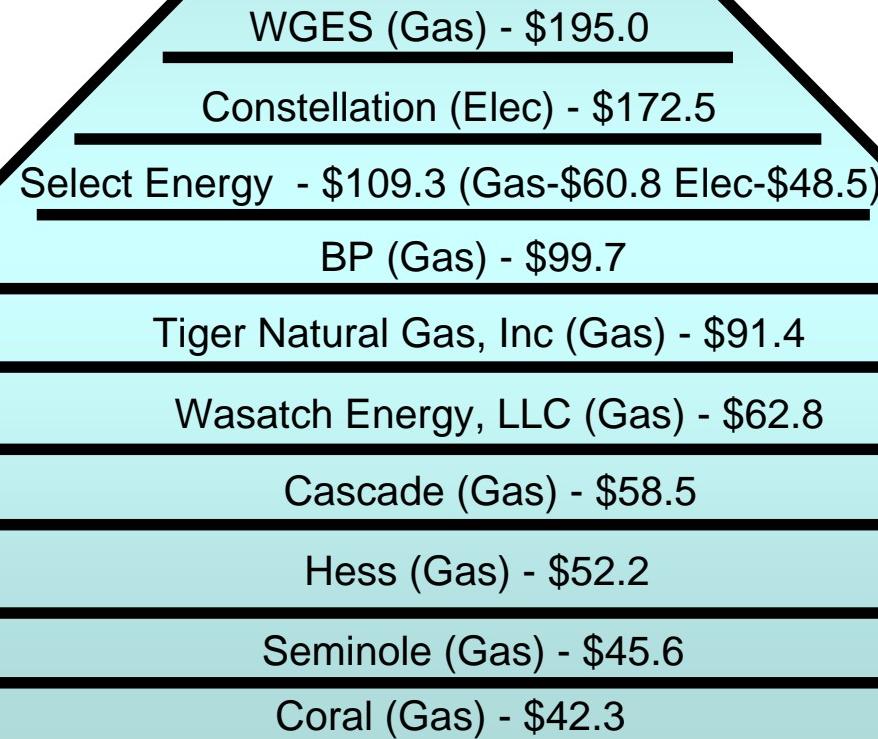
TOP TEN DESC PETROLEUM CONTRACTORS

(U.S. DOLLARS IN MILLIONS)

	<u>AWARD AMOUNT</u>	<u>PERCENT OF TOTAL CONTRACT \$</u>
BP	\$ 1,604.1	14.9
EXXON MOBIL	\$ 1,024.4	9.5
SHELL	\$ 1,003.7	9.3
VALERO	\$ 564.4	5.2
THE BAHRAIN PETROLEUM COMPANY	\$ 380.3	3.5
KUWAIT PETROLEUM CORPORATION	\$ 330.3	3.1
SSANGYONG	\$ 264.8	2.5
MOTOR OIL (HELLAS) CORINTH REF	\$ 229.0	2.1
MERLIN PETROLEUM CO. INC.	\$ 226.1	2.0
INTERNATIONAL OIL TRADING CO.	\$ 214.0	2.0
TOTAL	\$ 5,840.8	54.1%

FY 05 TOP TEN INSTALLATION ENERGY CONTRACTORS*

(U.S. DOLLARS IN MILLIONS)

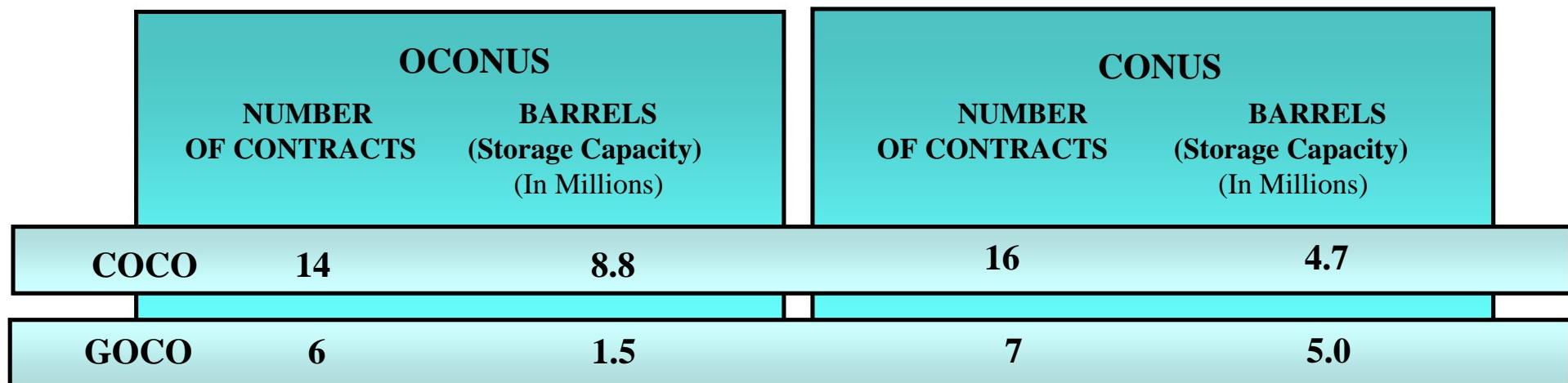


* Represents FY05 single and multi-year contracts

**DEFENSE ENERGY SUPPORT CENTER'S
TOP TEN CUSTOMERS
FOR FY05**
(GALLONS & U.S. DOLLARS IN MILLIONS)

INSTALLATIONS	QUANTITY	EXTENDED COST
MCCHORD AFB (WA)	200	\$296
CHARLESTON AFB (SC)	173	\$255
TRAVIS AFB (CA)	148	\$219
MCGUIRE AFB (NJ)	114	\$170
HABBANIYAH AFB (IRAQ) (CAMP VICTORY NORTH)	79	\$133
SHAYKH HANTUSH AFB (IRAQ)	99	\$129
DYESS AFB (TX)	64	\$94
SEYMOUR JOHNSON AFB (NC)	64	\$92
BARKSDALE AFB (WA)	62	\$91
ALTUS AFB (OK)	61	\$90

DESC MANAGED STORAGE CONTRACTS FY05



NOTE: FIGURES REPRESENT ACTUAL CONTRACTS (NOT TERMINALS)

ENVIRONMENTAL CONTRACTS

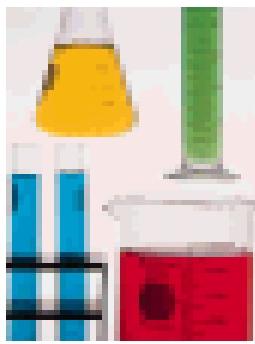
FY05



- 22 Assessment/Remediation Contracts at DLA-Managed GOCOs
 - 10 Active/12 Inactive
- 7 Environmental Service Contracts
 - Preparation of Environmental Plans
 - Environmental Audits
 - Occupational Safety and Health Services
 - Pollution Prevention Studies and Assessments
 - Oil Spill Response Training
 - Compliance Monitoring
 - 1 Blanket Purchase Agreement

TESTING CONTRACTS

FY05



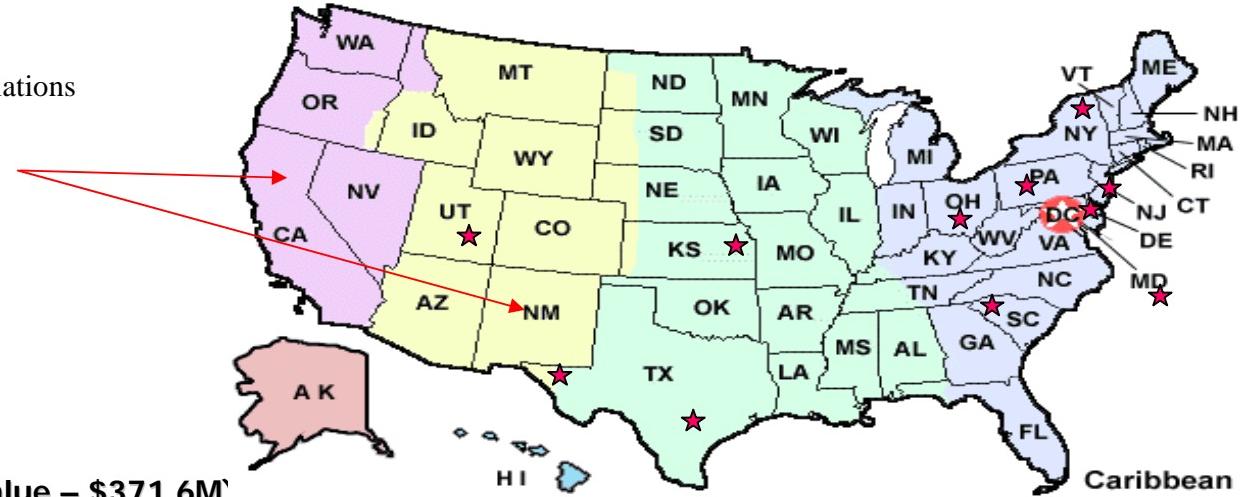
- 4 Domestic contracts for 32 locations
- 5 Overseas contracts for 22 locations

ENERGY SAVINGS PERFORMANCE CONTRACTS (ESPC)

Utilizing Memorandum of Understanding Partnering with DOE to Increase Customer Support

DoD Renewable Replication Pilot ESPC

- DoD and DOE have Identified 26 DoD Installations as candidates
- Location: Western and Central United States
- Technologies Identified:
 - ✓ Daylighting & Lighting Technology
 - ✓ Transpired Solar Collectors
 - ✓ Solar Swimming Pools
 - ✓ Grid Connected Photovoltaics



ESPC CONTRACT AWARDS to Date (Total Value – \$371.6M)

- Fort Hood, Texas
- Fort Monmouth, New Jersey
- Carlisle Barracks, Pennsylvania
- Fort Hamilton, New York
- Fort Jackson, South Carolina
- Aberdeen Proving Ground, Maryland
- Northeast Regional Office

- Types of Energy Improvements**
- Geothermal Heat Pumps
 - Heating and Air Conditioning
 - Vending Machine Controls
 - UESC Implementation
 - Lighting Upgrades/Retrofits
 - Cogeneration System Site
 - Lighting Retrofits
 - Cooling Towers
 - Variable Speed Motors/Drives

The terms "energy savings contract" and "energy savings performance contract" mean a contract which provides for the performance of services for the design, acquisition, installation, testing, operation, and, where appropriate, maintenance and repair of identified energy conservation measure or series of measures at one or more locations.
[42 USC 8287c(3)]

NOTE: FY 04 projects were placed on hold since legislative authority had expired. New legislative authority was enacted as of August 05 and energy savings projects are now proceeding.

UTILITY PRIVATIZATION SUPPORT

Ongoing Actions

In December 1997, the Deputy Secretary of Defense directed the Military Departments to develop plans for privatizing all of their utility systems (electric, natural gas, water and waste water), except those needed for unique security reasons or where privatization is not economical. Since that time and by request from the Military Services, DESC has established a customer-centric team, segmented by Services, to support the Military Departments in their efforts to privatize on-base infrastructure and acquire safe, reliable utility services along the privatized systems.

Working 413 DoD Systems



Army 162



Air Force 223



Navy 16



DLA 12

Directed in DRID #49, Privatizing Utility Systems (December 23, 1998) and superceded by OSD Guidance (October 9, 2002)

SOURCE: ENERGY ENTERPRISE COMMODITY BUSINESS UNIT

Contracts Awarded

FY 2005 – (Total Value - \$266.2M)

Fort Eustis, VA – Water/Wastewater
Fort Story, VA – Water/Wastewater
Fort Monroe, VA – Water/Wastewater
Fort Lee, VA – Wastewater
Fort Leavenworth, KS – Electrical
Natick Army Soldier Systems Center, MA – Electrical
Andrews AFB, MD, Water/Wastewater

FY 2004 – (Total Value - \$488.1M)

Fort Knox, KY – Wastewater/Stormwater
Fort Monroe, VA - Electric
Fort Story, VA – Electric
Fort Eustis, VA – Electric
Fort Lee, VA – Electric
Fort Bliss, TX – Water/Wastewater
Fort McNair, DC – Gas (GSA)

FY 2003 – (Total Value - \$359.4M)

Randolph AFB, TX - Wastewater
Sunny Point, NC - Electric
Fort Leavenworth, KS – Water/Wastewater
Fort Rucker, AL – Water/Wastewater/Electric/Gas
Fort Bliss – Gas/Electric
Fort McNair, DC – Gas (GSA)

FY 2002 – (Total Value - \$43M)

Picatinny Arsenal, NJ - Electric

FY 2001 – (Total Value - \$971K)

Fort Detrick – Gas (GSA)
Bolling AFB – Gas (GSA)
Minneapolis-St Paul – Gas (GSA)

INSTALLATION ENERGY 2005 CONTRACT AWARDS

- **ELECTRICITY:**

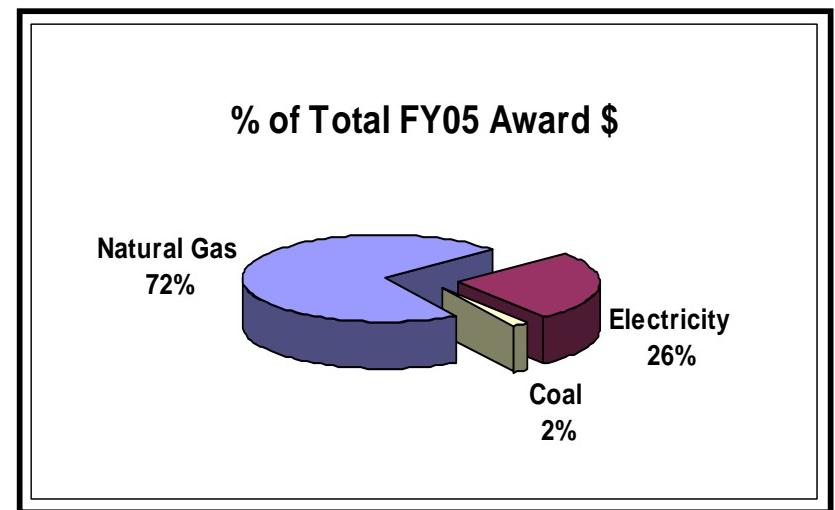
- Awarded 6.2B kWh of electricity valued at \$356M for customers
 - Awarded Renewable Energy Credit (Green Tag) contracts for 1.1B kWh valued at \$573k

- **NATURAL GAS:**

- Awarded 166M dths of natural gas valued at \$1B for customers

- **COAL:**

- Awarded 309,700 tons of coal
 - Estimated Contract \$ value: \$36.3M



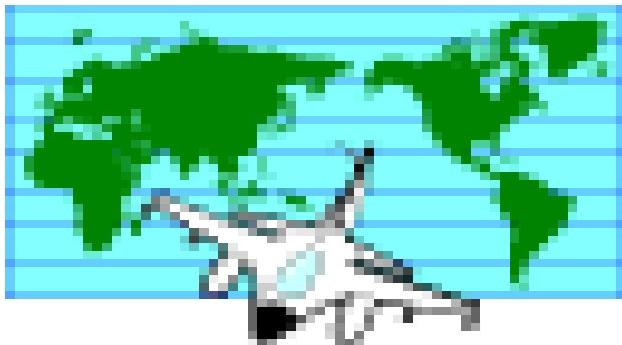
INTO-PLANE CONTRACTS FY05

DOMESTIC (CONUS)

- 337 LOCATIONS SUPPORTED
- \$461M CONTRACT VALUE
- 7.5M BARRELS

OVERSEAS (OCONUS)

- 165 LOCATIONS (81 Countries)
- \$171M CONTRACT VALUE
- 5.1M BARRELS



TOTAL SALES

- \$326.7M CONTRACT
- \$111.5M NON-CONTRACT

REPRESENTS ACTIVE CONTRACT DATA AS OF 30 SEP 2005

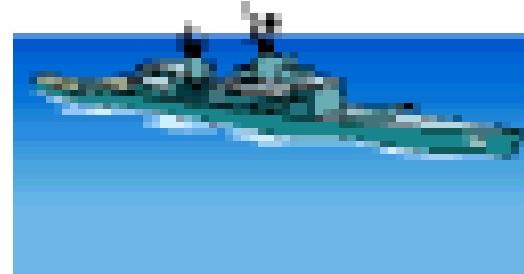
SHIPS BUNKERS CONTRACTS FY05

DOMESTIC (CONUS)

- 69 PORTS UNDER CONTRACT
- \$347.2M IN SALES
- 2.99M BARRELS

OVERSEAS (OCONUS)

- 118 PORTS IN 74 COUNTRIES UNDER CONTRACT
- \$165.4M IN SALES
- 3.24M BARRELS



REPRESENTS ACTIVE CONTRACT DATA AS OF 30 SEP 2005

OPTIMIZATION COCOS CONTRACT COSTS

FY05

(U.S. DOLLARS IN MILLIONS)

FORT BRAGG, NC - JP-8 & MOGAS-INITIAL 5-YR PERIOD: \$4.2

SCHOFIELD BARRACKS, HI - JP-8, DIESEL & MOGAS-INITIAL 5-YR PERIOD: \$4.8

29 PALMS, CA - JP-8, DIESEL & MOGAS-INITIAL 5-YR PERIOD: \$5.6

FORT JACKSON, SC - DIESEL & MOGAS-INITIAL 5-YR PERIOD: \$2.1

FORT STEWART, GA - JP-8, DIESEL & MOGAS - INITIAL 5-YR PERIOD: \$5.6

FORT GORDON, GA - DIESEL & MOGAS – INITIAL 5-YR PERIOD: \$2.5

FORT CARSON, CO – MOGAS, DIESEL, AND JP-8 – INITIAL 5-YR PERIOD: \$6.1

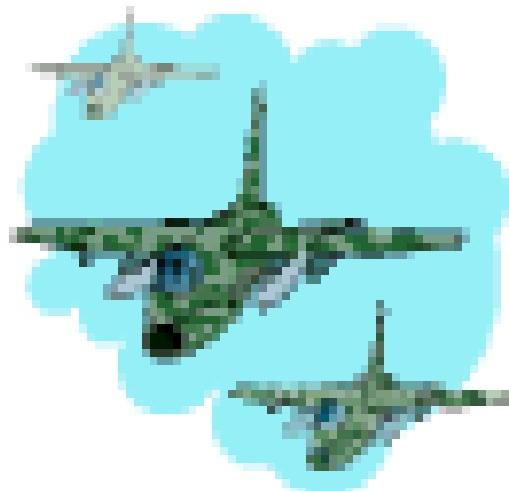
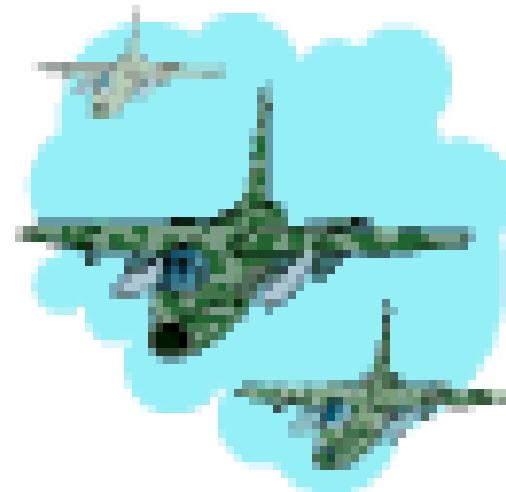
SIMMONS/MACKALL (FT. BRAGG), NC – JP-8 – INITIAL 5-YR PERIOD: \$12.1

All contracts are written for five years with 3 five-year options.

ALONGSIDE AIRCRAFT REFUELING FY05

CONUS

- 25 LOCATIONS
- \$122.7 MILLION IN CONTRACTS



OCONUS

- OKINAWA, JAPAN
- SOUUDA BAY, CRETE
- \$6.7 MILLION IN CONTRACTS

FUEL PROCUREMENT

<u>TITLE</u>	<u>PAGE</u>
Petroleum Procurement (Bulk Fuels)	60
Customer Organized Groups (COGs) Posts, Camps and Stations Posts, Camps and Stations Contracts	61
Coal	62
	63

PETROLEUM PROCUREMENT

BULK FUELS

(Estimated Amounts)

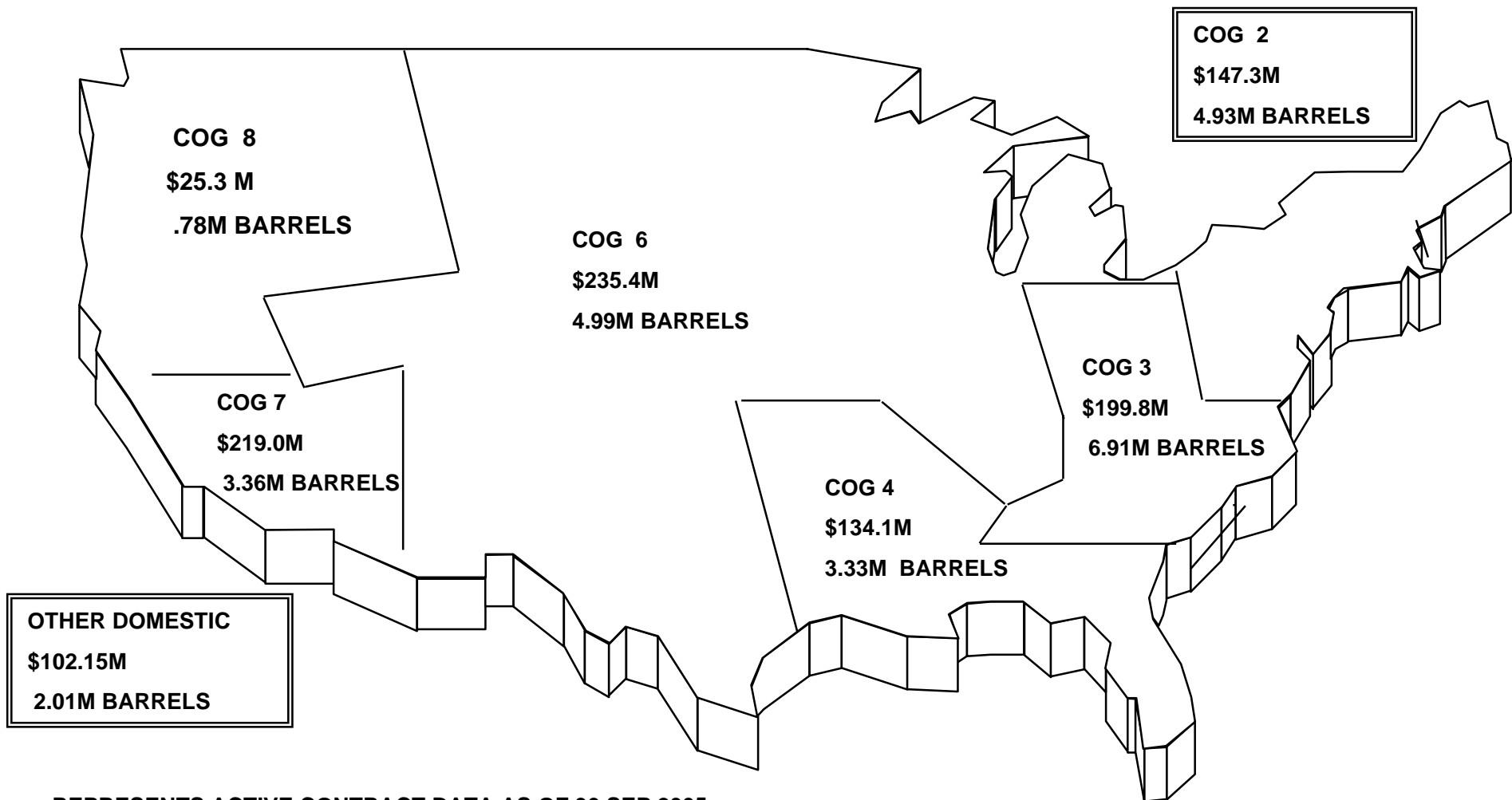
FY05



FIGURES REPRESENT CONTRACT AWARDS IN FY05 (NOT ACTUAL PURCHASES)

SOURCE: PROCUREMENT PLANNING AND SUPPORT DIVISION, PROCUREMENT OVERSIGHT BRANCH

CUSTOMER ORGANIZED GROUPS (COGs) POSTS, CAMPS AND STATIONS (CONUS) FY05



POSTS, CAMPS, AND STATIONS CONTRACTS FY05



DOMESTIC (CONUS)

- 247 CONTRACTS
- 1898 ACTIVITIES SUPPORTED
- 3,208 LINE ITEMS
- \$297.6 MILLION
- 4.34 MILLION BARRELS

OVERSEAS (OCONUS)

- 72 CONTRACTS, 35 COUNTRIES
- 437 ACTIVITIES SUPPORTED
- 573 LINE ITEMS
- \$561.0 MILLION
- 7.86 MILLION BARRELS

REPRESENTS SALES DATA AS OF 30 SEP 2005

SALES DATA INCLUDES ONLY LINE ITEMS PAID VIA DWCF, DOES NOT CAPTURE FED CIV AGENCIES

COAL

FY 05

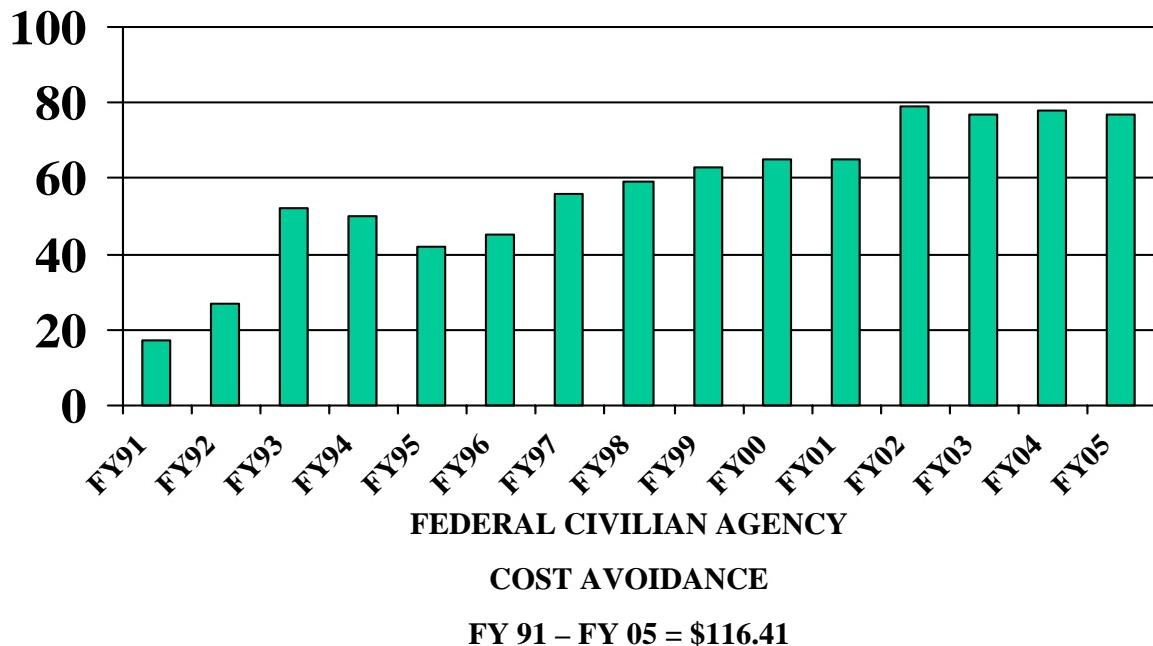
SUMMARY OF ANNUAL REQUIREMENTS		
	<u>SHORT TONS</u>	<u>REQUIREMENT DOLLARS</u>
ARMY	257,500	\$18 Million
AIRFORCE	313,970	\$21 Million
NAVY	138,000	\$14.3 Million
OTHER	40,000	\$ 4.7 Million
TOTAL	749,470	\$58 Million

COST AVOIDANCE/SAVINGS

<u>TITLE</u>	<u>PAGE</u>
Federal Agencies	64
Department of Defense	65
DESC's Competitive Electricity Program	66
Electricity Restructuring Status	67
Air Card	68
DoD Fleet Card	69
Sea Card	70

FEDERAL CIVILIAN AGENCIES NATURAL GAS PARTICIPATION & COST AVOIDANCE

HISTORICAL PARTICIPATION



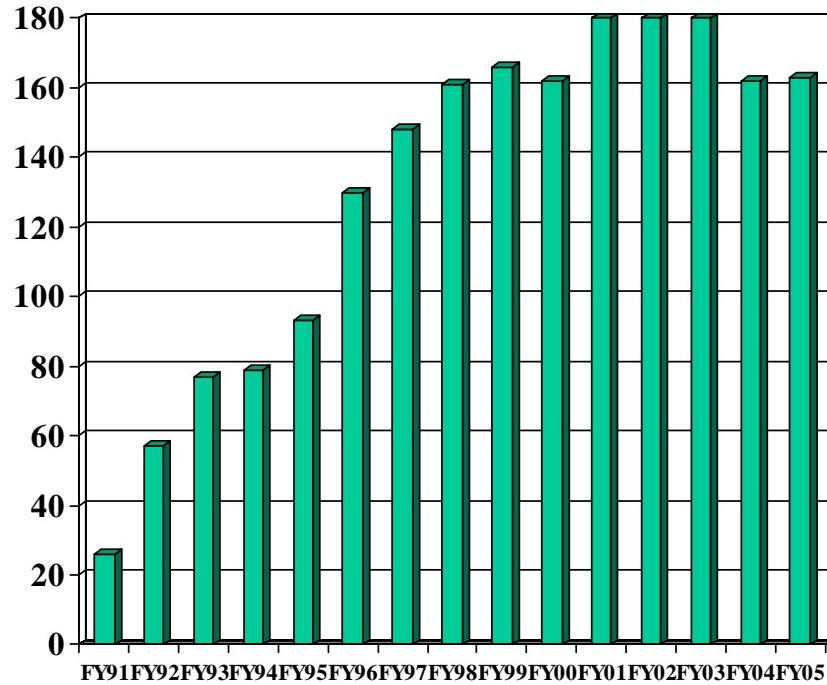
FY05 Federal Civilian Agency Participants	
DOE	18
Veterans Administration	17
Department of Justice	11
NASA	4
Others	27
Total	77

By partnering with DESC to procure direct supply natural gas, civilian agencies saved over \$11.78 million in FY05.



DEPARTMENT OF DEFENSE NATURAL GAS PARTICIPATION & COST AVOIDANCE

DoD Participation



DoD Natural Gas Cost Avoidance for FY 05

	FY91-04	FY05	Total
Army	\$129.07	\$15.50	\$144.57
Navy	\$ 93.55	\$13.74	\$107.29
Air Force	\$ 78.18	\$ 6.32	\$ 84.50
Other DoD	\$ 13.13	\$ 1.76	\$ 14.89
Total	\$313.93	\$37.32	\$351.25

(Dollars are in Millions)

FY 05 DoD Participants	
Army	58
Navy	49
Air Force	42
DoD	14
Total	163



DESC's COMPETITIVE ELECTRICITY PROGRAM

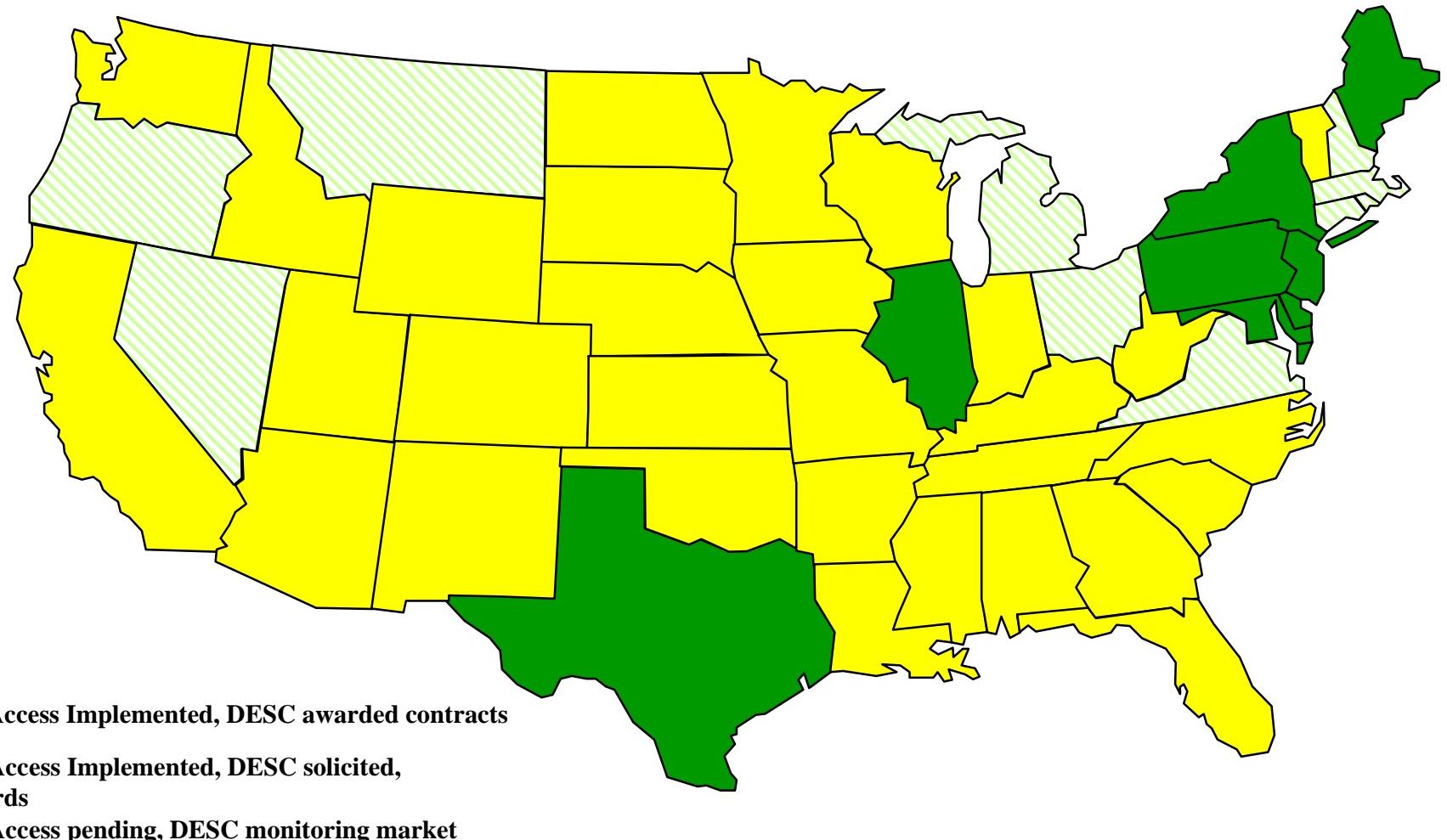


	# of Customers Solicited	# of Accounts Solicited	# Customers under DESC Contract
Army	13	160	5
Air Force	7	20	3
Navy	6	62	6
Marine Corp	1	1	1
Reserves	11	48	3
Other DoD	3	18	1
Dept of Energy	4	12	3
NASA	1	12	1
Coast Guard	10	271	5
Other Federal Civilian	11	77	6

DESC, in partnership with the Military Services, has been contracting for deregulated electricity since May 1998.

ELECTRICITY RESTRUCTURING STATUS

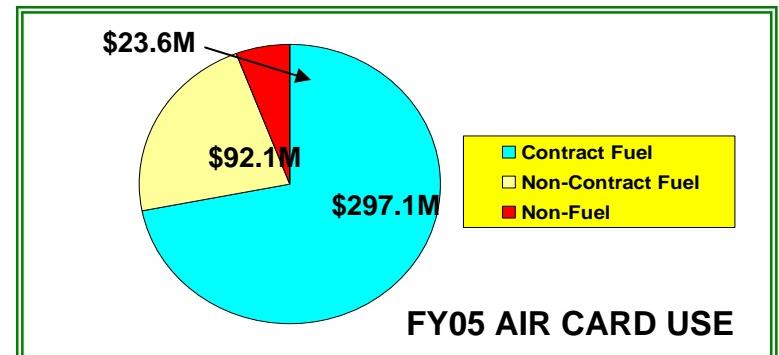
DESC has experience in all states in which deregulation/restructuring has occurred and in which requirements have been received.



AIR CARD

□ Warfighter Benefits

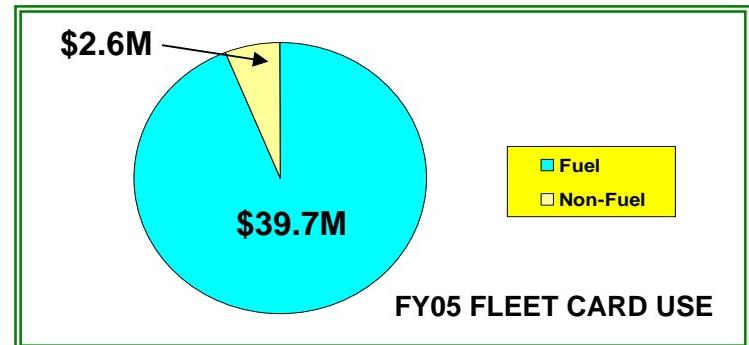
- Supports inoplane fueling
- Eliminates manual identaplate
- Facilitates standard unit prices
- Accepted at over 7000 locations worldwide – 190 countries
- Non-contract price savings - \$6M in FY05



DoD FLEET CARD

□ Warfighter Benefits

- Supports fuel and minor vehicle parts/services
- Accepted at over 200,000 commercial locations
- Eliminates manual paper processes
- Facilitates standard unit pricing
- \$2.6 million direct tax rebates in FY05



SEA CARD

□ War fighter Benefits

- Supports ships' bunker refueling
- Total on-line order management system
- 24/7 customer service support
- Facilitates competition at non-contract locations
- Facilitates standard unit pricing
- Pilot test commenced Oct 06.



MISSILE FUELS

<u>TITLE</u>	<u>PAGE</u>
Missile Fuels Business Profile	71
Missile Fuels New Emerging Products	72
Missile Fuels Customer Profile	73
Missile Fuels Major Program Support	74
Missile Fuels Launch Support	75
Missile Fuels Launch Vehicles and Products	76
Missile Fuels Number of Containers Shipped	77

MISSILE FUELS BUSINESS PROFILE

92 Total NSNs – 64 Active Products

- ❖ All support DoD programs, weapons systems and/or space programs
- ❖ Designated DoD IMM
- ❖ Supplier of choice for Federal Civilian customers and commercial space contractors under Commercial Space Launch Act authority

20 Controlled Storage Points (CSP)

\$32.3 Million in Sales*

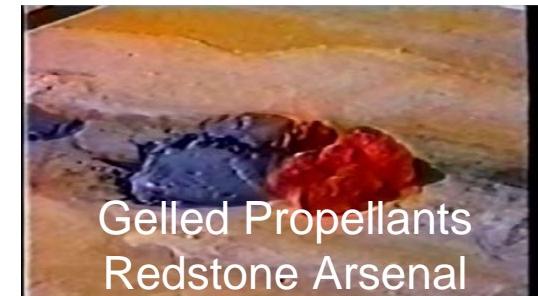
71 Contracts

- ❖ 62 for product
- ❖ 9 for services, including transportation

*Down from projected sales due to delays of scheduled launches

DESC MISSILE FUELS NEW EMERGING PRODUCTS

- ❑ Hydroxyl ammonium nitrate (HAN) – Air Force
- ❑ AF-L-103 Advanced Propellant – Air Force
- ❑ Dimethylaminoethylazide (DMAZ) (hydrazine replacement) – Navy, Air Force
- ❑ Gels for RP-1, IRFNA, MMH, JP-10 - Air Force, Navy, NASA, Army
- ❑ Liquid Methane/Liquified Natural Gas (propellant grade) – Air Force, NASA
- ❑ Methanol/Ethanol (propellant grade) – Army, Air Force
- ❑ RP-2 – Air Force
- ❑ N2O (propellant grade) – Commercial



MISSILE FUELS' CUSTOMER PROFILE

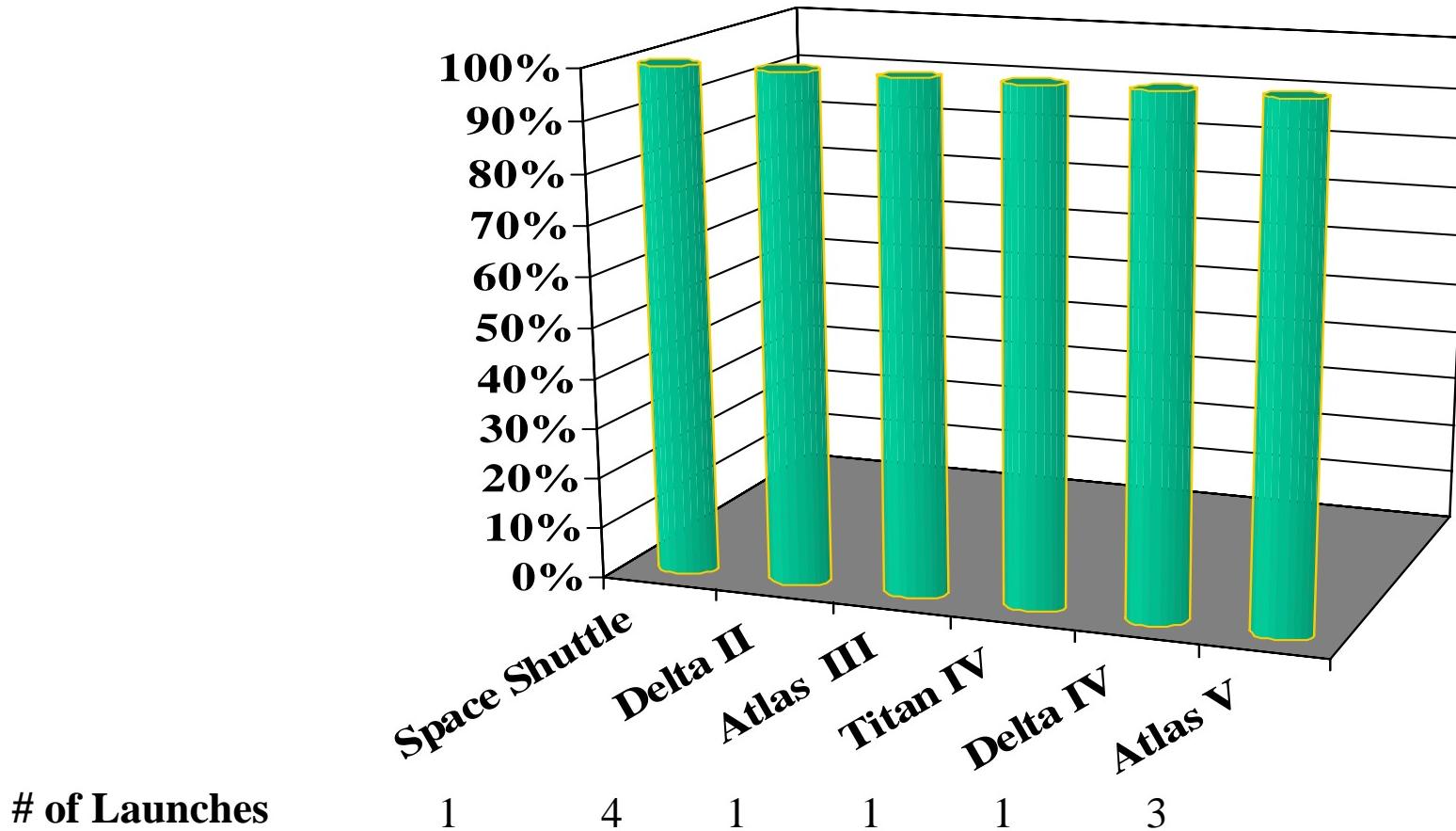
	# of Customers	Total Percent of Customer Base
<input checked="" type="checkbox"/> DoD		
Air Force	185	62%
Army	18	06%
Navy	11	03%
USMC	2	01%
Total DoD	216	73%
<input checked="" type="checkbox"/> Federal Civilian		
NASA	17	06%
DOE	06	02%
Total Federal Civilian	23	08%
<input checked="" type="checkbox"/> Commercial	59	20%
Total	298	100%

MAJOR PROGRAMS SUPPORTED BY THE MISSILE FUELS CBU

- USAF Titan, Delta and Atlas - and commercial follow-on – the “EELV” (Evolved Expendable Launch Vehicle)
- F-16 Emergency Power Unit
- F-15/F-16 Air Intercept Missile, Avenger, Sidewinder
- All Cruise Missiles – Navy Tomahawk, Harpoon, & USAF’s ALCM/ACM
- AIM9 and Stinger Missiles
- AQM-37C and Lance Missile Drone Programs
- Fiber Optics Guided Missile (R&D)
- Wind Tunnels
- All DoD Laser Programs
- All Space-Based Weapons (R&D)
- NASA Space Shuttle
- International Space Station

MISSILE FUELS FY05 LAUNCH SUPPORT

Performance Goal is 100% on time/on spec for all launches



MISSILE FUELS FY05 LAUNCH SUPPORT LAUNCH VEHICLES & PRODUCTS PROVIDED BY DESC

Titan



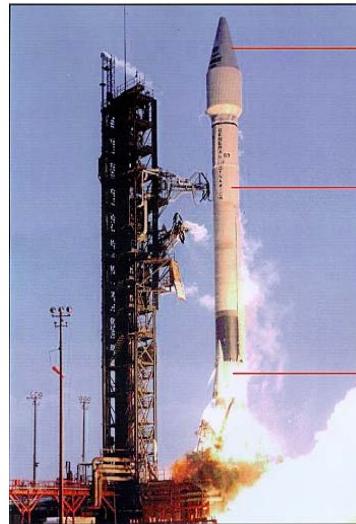
Titan Products - Dinitrogen Tetroxide (N₂O₄), Liquid Hydrogen (LH₂), Liquid Oxygen (LO₂), A-50 Hydrazine

FY05 1 Titan IV Launch

Atlas III Products - Rocket Propellant (RP-1), Liquid Oxygen (LOX), High Purity Hydrazine (HPH)

FY05 – 1 Atlas III Launch

Atlas III



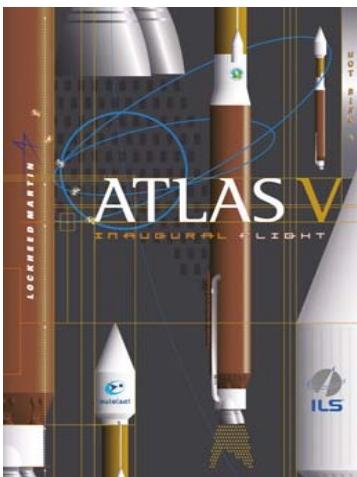
Delta II Products - A50 Hydrazine Mix, Dinitrogen (N₂O₄), Liquid Oxygen (LOX), Rocket Propellant (RP-1)

FY05 -4 Delta II Launches

Delta II



EELV Atlas V



Atlas V Products -
Dinitrogen Tetroxide (N₂O₄)
Rocket Propellant (RP-1)
Gaseous Nitrogen (GN2)
Liquid Nitrogen (LN2)
Liquid Hydrogen (LH₂)
Gaseous Hydrogen (GHE)
Liquid Oxygen (LO₂)

FY05 – 3 Atlas V Launches

EELV Delta IV



Delta IV Products -
Gaseous Hydrogen (GHE)
Gaseous Nitrogen (GN2)
Liquid Nitrogen (LN2)
Liquid Oxygen (LO₂)
Monopropellant Hydrazine (MPH)

FY05 – 1 Delta IV Launch

Space Shuttle



Space Shuttle Products-
Dinitrogen Tetroxide (N₂O₄) and
Monomethylhydrazine (MMH)

FY05 – 1 Shuttle Launch

FY05 MISSILE FUELS TRANSPORTATION NUMBER OF CONTAINERS SHIPPED

<u>PRODUCT</u>	<u>BULK TRAILER</u>	<u>GPTUs*</u>	<u>DRUMS</u>	<u>CYLINDERS</u>
Argon				993
Deuterium	1			
Helium	132			2439
Hydrazines	9	2	63	151
JP-10	16		255	
N204	2			36
PF-1	1		3	
Nitric Acid			14	
RP-1	25		24	
TOTALS	186	2	359	3633

*GPTU: Generic Propellant Transfer Unit / DOT 51 Intermodal Container

DESC's "THE BEST OF"

TITLE

PAGE

Highlights of FY 2005

78-89

DEFENSE ENERGY SUPPORT CENTER HIGHLIGHTS FOR FY05

DESC SUPPORT WITH HURRICANE RECOVERY EFFORTS:

Hurricane Katrina, an extremely powerful category 4 hurricane, made landfall near Buras, LA on 29 Aug 05. Top winds reaching about 145 mph, accompanied by 28-foot storm surge, and extensive flooding, devastated the Louisiana and Mississippi Gulf Coast. Hurricane Katrina is expected to be the most costly natural disaster in US history. In the aftermath of Hurricane Katrina, DESC Americas was heavily involved in responding to emergency fuel requirements in support of recovery efforts and in re-establishing normal re-supply to bases and intermediate DFSPs in the impacted area, which consisted primarily of Alabama, Mississippi, and Louisiana. DESC Americas East (AME) supported fuel requirements at six Operational Staging Areas, which included Barksdale AFB, LA; NAS Meridian, MS; Alexandria IAP, LA; Gulfport IAP, MS; Keesler AFB, and Camp Shelby, MS and other key installations in the Joint Operational Area. To assess fuel distribution capabilities, AME Quality Assurance Representatives visited over 45 major fuels terminals and regional airports, including the New Orleans International Airport. While both Colonial and Plantation pipelines were shut down due to power outages for approximately 5 days, impact on DESC operations was minimal. However, the production levels at some of the refineries in the area were reduced due to damage or loss of power, causing DESC Americas East Inventory Managers to seek alternate re-supply methods until the refineries resumed normal operations. Additionally, Intercoastal Waterway traffic was restricted or stopped over a 10-day period, requiring DESC Americas East to arrange for alternate re-supply for those installations normally dependent on barges, such as NAS Pensacola, Eglin AFB, Tyndall AFB, Gulfport ANG, and NAS New Orleans (Belle Chasse). In order to assist with the response effort, the DESC Americas Plans & Operations Officer was assigned to USNORTHCOM as a DESC Liaison Officer (LNO) and three Individual Mobilization Augmentees (IMAs) worked in the Houston, TX office. One of those IMAs later served as an LNO to JTF-Katrina in New Orleans. Due to the unwavering efforts of DESC team, hurricane recovery missions were successfully supported without any aviation fuel limitations.

Less than one month later, Hurricane Rita made landfall as a Category 3 hurricane (120 mph) at 0230 CDT, 25 Sep 05 in extreme southwest Louisiana between Sabine Pass and Johnson's Bayou, LA. At one point, Rita was categorized as the third strongest Atlantic storm in history with measured sustained wind speeds of over 175 mph (Category 5 hurricane). Initially, Houston was in the direct path of the hurricane and AME

activated their COOP (21 Sep), deploying a 4-member team to the Missile Fuels office in San Antonio, TX. Also deployed were Frank Wright (detailed from DoD) and Kathy Mesa (AMW) to serve as DESC LNOs to USNORTHCOM. In addition, J6F presented remote connectivity refresher training and was ready to implement the disaster recovery plan. Based on guidance from the Houston Federal Executive Board (HFEB), DESC Americas closed the Houston Office 22-23 Sep. After passage of the hurricane, on 24 Sep, GSA confirmed that the AM/AME office was fully operational and reinstated card access to the building. Rita caused minimal damage in the Houston area. AM/AME complied with a request from Mayor White (Houston) to maintain minimal staffing on 26 Sep in order to minimize traffic congestion as people returned to the Houston area. AME COOP personnel in San Antonio redeployed to Houston during the afternoon of 26 Sep. All DESC Americas personnel were safe and accounted for and DESC Americas continued to support all fuel requirements. All pipelines supporting DESC in the affected region (Colonial, TEPPCO, and Explorer) were operational after the storm. In addition, refineries supporting DESC in the affected region (ExxonMobil, Baytown, TX; Valero, Texas City, TX; and Shell, Deer Park, TX) were operational. ExxonMobil activated the Zachary, LA refinery, versus their Baytown, TX, refinery in order to fulfill DESC's JP-8 shipments. Calcasieu Refinery in the Lake Charles, LA, the hardest hit of the refineries supporting DESC, reported minimal damage after the storm, but suffered from delays due to lack of electrical power and limited personnel to sustain operations. Calcasieu was able to restore operations and make their first delivery for DESC by 7 Oct from on-hand production prior to Hurricane Rita. DFSP Houston was fully operational after the storm and able to continue critical barge shipments. DESC supported activities were soon back to normal operations with fuel deliveries scheduled as required. Kathy Mesa returned to AMW on 29 Sep and Frank Wright departed USNORTHCOM on 1 Oct.

Following the landfall of Hurricanes Katrina, Rita and Wilma, Direct Delivery's Ground Fuels and Into-Plane Fuels Divisions responded to fuel requirement requests in support of relief and recovery efforts. The divisions have executed and supported numerous contract actions totaling more than 1.27 million gallons of diesel fuel, 1.05 million gallons of gasoline and 4.49 million gallons of jet fuel for combined federal and military relief efforts.

KINDER MORGAN ENERGY PARTNERS INSTALLS FILTRATION & INJECTION SYSTEM AT LAS VEGAS, NV TERMINAL:

On August 11, 2005, an advanced filtration and injection system was incorporated into the storage and transfer system at the Kinder Morgan Energy Partners Las Vegas, Nevada terminal. The advanced filtration system permits full-flow filtration and receipt of JP-8 into three bulk storage tanks designated for Nellis AFB. The system includes a series of five clay filters, a filter/separator, and a corrosion inhibitor injection system. The highly successful system has been proven capable of handling full-flow rates during peak demand periods experienced during Red Flag exercises at Nellis AFB.



PRIDE COMPANIES, L.P. ESTABLISHES DFSPS IN ABILENE AND ALEDO, TX:

Pride Companies, L.P. (aka Pride Refining), headquartered in Abilene, TX, operated a 13.5-mile pipeline between their Abilene, TX refinery and DFSP Tye, TX. Pride Refining received their JP-8 from the Gulf Coast via Shell pipeline. Pride then shipped JP-8 to DFSP Tye and stored it under an FOB destination contract. Product was then shipped to Dyess AFB via a Pride-owned pipeline under a tender agreement. In February 2005, Magellan Pipeline purchased the Shell Pipeline and then filed a tender for originating product onto the line out of DFSP Houston for shipment to Pride-owned terminals in Aledo, TX and Abilene, TX. Pride also filed tenders to provide storage and truck delivery services from DFSP Aledo to various activities, as well as storage and pipeline delivery services from DFSP Abilene to DFSP Tye and from DFSP Tye to Dyess AFB.

DESC AMERICAS PARTICIPATES IN QUARTERMASTER LIQUID LOGISTICS EXERCISE (QLLEX) -05: QLLEX

(formerly known as POLEX) is an annual CONUS-wide POL storage and transportation exercise using US Army reserve component forces and tank trucks to transport JP-8 to DESC customers. The exercise, under the command and control of the 475th Quartermaster Group, successfully completed the 2005 exercise from 11-25 June 2005. This 2-week exercise is designed to provide real world training to Active, Reserve, and National Guard soldiers. In 2005, 1,727 personnel received invaluable training in their primary specialty skills, as well as LANES training and soldier's common task training. Reserve units supporting QLLEX-05 operated from the following Army installations: Fort Bragg, Fort Devens, Fort Dix, Fort Bliss, and Fort Huachuca. The following DFSPs also participated in this year's exercise: DFSP Selma, DFSP Ludlow, DFSP Jacksonville, DFSP Alamogordo, and DFSP Davis-Monthan. Partner installations participating this year's included: Pope AFB, Seymour Johnson AFB, Shaw AFB, McEntire ANG, Barnes ANG, Bradley ANG, Otis ANG, Quonset ANG, Westover ANG, Brockton ARNG, Worcester ARNG, Atlantic City ANG, McGuire ANG, New Castle ANG, Willow Grove AFR, Fort Huachuca, AASF#2 Marana ARNG, Phoenix ANG, Tucson ANG, and Fort Bliss. Combined, the DFSPs issued 2.2 million gallons of JP-8. Of this amount, 214,317 gallons was moved from DFSPs to temporary storage locations in fuel system supply points, re-circulated and tested, then delivered to customers 475th Quartermaster Group and supporting units received valuable training, while both our DFSPs and partners were satisfied with the service provided. On Quality Day, 13 Jun 05, DESC Americas Quality Assurance Representatives inspected 150 petroleum tank trucks, resulting in an overall pass rate of 90%. In addition, all lab samples tested by mobile labs received a 100% pass rate. The 475th Quartermaster Group's plans for QLLEX-06 include a similar transportation exercise and additionally, more regionally located "warrior" exercises, in which fuel storage and delivery will be a part of a larger, more complex exercise. DESC recognizes its partners and customers for outstanding efforts in providing quality service and training and assisting in the accomplishment of this exercise.

DESC-ME 2005 HIGHLIGHTS FOR 2005:

Calendar year 2005 brought many challenges and opportunities to Defense Energy Support Center-Middle East (DESC-ME), placing the office at the forefront in the Global War on Terrorism (GWOT) through its direct support of OPERATION ENDURING FREEDOM (OEF) and OPERATION IRAQI FREEDOM (OIF). Headquartered in sunny Bahrain, Colonel Dan Jennings and his staff of 31 dedicated military and civilian professionals provide petroleum logistics support and management oversight in 27 countries within the United States Central Command (USCENTCOM) area of operations.

OPERATION ENDURING FREEDOM (OEF):

The year brought numerous successes in the Afghan Theater under the auspices of OEF and the GWOT. In spite of harsh weather, inferior roads, driver strikes, customs/border issues, and Al Qaeda-associated insurgent activity in the region, DESC-ME provides well over 100 million gallons of fuel to Combined Forces Command-Afghanistan and the Combined Joint Task Force-76. Day in and day out, dedicated third-country national truck drivers faced the hazards of operating in Afghanistan to complete the arduous seven day journey from the refineries to coalition bases throughout Afghanistan. In order to provide the OEF commanders greater flexibility and sustainability,

DESC-ME working with the DESC headquarters opened a second source of supply from the north by importing Russian grade TS-1 aviation fuel from Central Asia. This source is critical to the robust petroleum posture vital to US and coalition forces. Another success for DESC-ME in the Afghanistan region was the completion of two new DFSP storage tanks in Kabul. These tanks were inspected and accepted in August 2005 and filled to their maximum safe fill capacity in September 2005, bringing DESC's strategic reserve for the theater to nearly 2M gallons. As a result of these and other initiatives US Forces and our coalition partners have a robust and dependable source of fuel enabling them to continue their vital contributions to the war on terror.

OPERATION IRAQI FREEDOM (OIF): To better support OIF, DESC-ME established a new office in Kuwait in February. DESC-Kuwait



is commanded by Major Mike Davis, USAF. Major Davis' staff of four is the DESC-ME lead for comprehensive support to coalition forces operating in Iraq and Kuwait. From its beginning, DESC-Kuwait has continually provided unparalleled management oversight for the southern supply route entering Iraq from Kuwait. DESC-KU's responsibilities also include oversight of transportation of fuel into Western Iraq from Jordan, Kuwait and Baghdad IAP into-plane agreements and the effective management of the Kuwaiti Assistance in Kind (AIK) fuels agreement. Without fail DESC-KU delivers over one million gallons of JP8, diesel and Mogas daily to US and coalition forces in Iraq and Kuwait. Another major success story for 2005 was the addition of the Jordan or "western" supply route, an integral asset to petroleum re-supply into Iraq. Protected by dedicated and professional

Soldiers and Marines, fuel convoys crossing into Iraq via Jordan's Trebil Gate, transit through the infamous "Anbar" province to deliver their vital cargo. In spite of harsh weather and frequent insurgent attacks DESC convoys delivered over 13 million gallons of precious fuel monthly to US and coalition forces in western Iraq.

DFSP-DJIBOUTI: In support of the United States Navy Central Command (NAVCENT), DESC-ME completed significant restructuring of its support in the Gulf of Aden. DESC-ME officially closed DFSP Aden, located in Yemen, which had not been used by US Naval vessels since the attack on the USS Cole in October 2000. To better support the Navy, DESC completed the construction of DFSP-Djibouti. This

state of the art contractor-owned/contractor-operated facility opened in September 2005 and provides the Navy the ability to safely refuel ships operating in the Red Sea and the Gulf of Aden.

FUTURE OPPORTUNITIES: The challenges and successes of 2005 are many. As DESC-ME moves boldly into 2006 it will continue to provide and transform in order to better support our customers and protect the interests of the US taxpayer. New offices in Qatar, Jordan and Dubai will reduce costs and provide even more consistent and timely support. DESC-ME will add contracting and international agreements capabilities to its portfolio. Whatever challenges the new year brings, you can be assured that DESC-ME will continue to support the needs of the nation and its allies wherever and whenever needed.

DEFENSE ENERGY SUPPORT CENTER-PACIFIC: Defense Energy Support Center-Pacific continued to provide top quality and cost effective supply chain management of bulk fuel to the warfighter in the Pacific area of responsibility (AOR) to include operations in more than 44 countries dispersed throughout 105 million square miles. The efforts of the Hawaii based region headquarters and four field offices effected this support. DESC-Pacific continues to be vital in supporting OPERATION ENDURING FREEDOM (OEF) and OEF-Philippines from en route and staging locations such as Diego Garcia, Guam and Hawaii. During the past year, DESC delivered over 1 billion gallons of petroleum products to 76 DFSPs in the Pacific AOR. In addition, DESC-Pacific maintained support for the U.S. Forces participating in OEF-Philippines through coordination with DESC-B/F/P to deliver product to Zamboanga, Manila and Subic Bay, and provide product storage in Subic Bay for the first time since the U.S. pullout in 1992. DESC-Pacific also assisted with arranging the required petroleum products necessary for the Central Identification Lab Hawaii's (CILHI) search and recovery missions within the Pacific theater. DESC-Pacific stood up 24/7 coverage to respond to a U.S. Pacific Command (PACOM) request for POL support for humanitarian assistance/disaster relief (HADR) effort in Sri Lanka, Indonesia, Thailand, Malaysia, and the Maldives. The PACOM hub for the relief effort centered at Utapao, Thailand where existing into-plane support was available. Bunker contractors responded to requests for operating status: Mumbai, Goa, Chennai and Vishakapatnam, India; Sattahip and Pattaya, Thailand; Mombasa, Kenya; Lumut, Penang, and Port Klang, Malaysia reported they were operational. DESC-Pacific QARs were forward deployed to Sri Lanka, Malaysia, Indonesia, and Thailand to assess support capabilities and assist as needed. DESC Pacific experienced the rotation of four senior leadership billets during the summer of 2005 with change of commands occurring at DESC Pacific, DESC Alaska, DESC Japan and DESC Middle Pacific. DESC Pacific won the Honolulu Federal Executive Board (FEB) awards in the following categories: Mr David Ray (DESC Pacific), Federal Employee of the Year (Professional, Administrative, and Technical); LtCol Dan Semsel (DESC Middle Pacific Commander), Military Officer of the Year; and DESC-Japan, Federal Organizational Excellence.

MR&E projects from FY96-FY05 currently active. The number of active Army Transportation Motor Pool (TMP) service stations has been reduced from fourteen to eleven due to the restructuring of U.S. forces underway in Korea. The Army service stations are maintained under a Maintenance and Repair contract. DESC, the Army Petroleum Center, and the Korea Regional Office (KORO) of the U.S. Army Installation Management Agency are currently conducting a survey to determine if these remaining eleven fuel facilities will be optimized. DESC-Korea's Quality Division continues to provide procurement quality assurance and surveillance both on and off the Korean peninsula in support of DESC's world-wide mission. During FY05, the Logistics Division of DESC-Korea supported United States Forces Korea (USFK) by directing movement of over 43 million gallons of bulk fuel with 945 movements by rail and 6,610 movements by tank truck. In addition, over 53 million gallons of JP8 were moved via pipeline. In February 2005, DESC-Korea completed the first test shipment utilizing the commercial South North Pipeline (SNP); to date there have been 5 shipments using the SNP. The evacuation of the 30-year-old Trans Korea Pipeline was completed in July 2005 with its base terminal at Pohang closed down in September 2005. The Joint Working Group comprised of USFK, DESC, the Republic of Korea Ministry of Defense and several commercial interests will continue to seek a completely commercial solution for storage and transport of USFK fuel by 2014 as agreed upon in the 2004 Korea Follow-On Bulk Petroleum Support Agreement.

DEFENSE ENERGY SUPPORT CENTER-JAPAN: During FY05, the high-octane DESC-Japan team scheduled and directed over 9,600 error-free fuel shipments by rail, pipeline, coastal barge, sea tanker and tank trucks to 108 fuel depots on time and on specification. Significant accomplishments include outstanding oversight and bilingual liaison with customers, vendors and contracting officers to maintain superb support for \$298 million in contracts that serviced 732 customer locations; overseeing 2 MILCON projects, worth \$34 million to include new tanks that brought over 8 million gallons of fuel closer to the warfighter, obtaining funding for 319 MR&E projects worth \$145 million and ensuring the seamless End of Japanese Fiscal Year closeout for the \$22 million per year Utility Cost Sharing Program. These efforts were recognized by DESC-Japan earning the 2005 Honolulu FEB's Organizational Excellence Award.

DEFENSE ENERGY SUPPORT CENTER-KOREA: There are 124

DEFENSE ENERGY SUPPORT CENTER-ALASKA: During 2005, DESC-Alaska completed the source removal of 27,500 tons of contaminated soil at former Defense Fuel Support Point in Whittier, Alaska on Prince William Sound. DESC Alaska has submitted a long-term monitoring and natural attenuation plan to the Alaska Department of Environmental Conservation for approval that will outline the future strategy to finalize remediation methodology on the site. DESC-Alaska once again successfully supported the annual Operation Closed Port and Cool Barge fuel re-supply missions and delivered 140 MBBLs of on-specification JP8 and diesel to the remote sites of Galena AFS, Attu Coast Guard Station, King Salmon AFS and Eareckson AFS. DESC-Alaska remained customer-focused throughout 2005 and continued to provide optimal arctic energy support...all the time! throughout the last frontier...Alaska!

DEFENSE ENERGY SUPPORT CENTER- MIDDLE PACIFIC:

DESC-Middle Pacific continued to provide outstanding support to the warfighter in the largest theater of operations. Thanks to active teamwork, the region stands ready to support current operational needs and has laid the groundwork for mission changes of the future, such as the addition of C-17 aircraft at Hickam AFB, HI. MR&E projects included completing repair and upgrade of the hot refueling system at Wheeler AAF, HI supporting the mobility of the 25th Infantry Division and work has begun on checking the continued serviceability of the 3-mile long, 60-year old pipeline that connects Pearl Harbor to the massive bulk storage facilities in Red Hill. The MILCON program completed Phase III and IV of Andersen AFB, Guam's Type III hydrant systems enhancing support for this vital air mobility hub and work is halfway complete on Phase I of Hickam AFB's Type III hydrant system. In addition, nearly \$25M has been slated to fix decrepit POL systems at Wake Island, another key Pacific hub, with several projects primed to start at the end of FY05 and the beginning of FY06. On the inventory front, Middle Pacific welcomed NAVFAC Hawaii PW7 (formerly PWC-Pearl Harbor) into the realm of capitalization as we continue to help this small function grow in capability and customer support.

SEA CARD DEVELOPMENT: The Government Fuel Card Program Management Office (DESC-K) directed the development of the Ships bunker Easy Acquisition (SEA) Card. Development began at the commencement of the contract period of performance date of

January 1, 2005. Through strong partnering with the Navy, Military Sealift Command, and the Coast Guard, as well as with internal DESC assets, a comprehensive Business Requirements Document was developed and signed in May 2005. The significant programming taskings then began in earnest, with prototype testing in Sept 05, and pilot program commencement in Oct 05. A significant kick-off ceremony was hosted by Military Sealift Command in the Norfolk area, with VADM Lippert presiding over the ceremony. Many distinguished guests from Military Sealift Command, Navy, Coast Guard, DESC/DLA, and contractors were in attendance. The SEA Card program places a total order management system in the hands of the warfighter for their ships' bunkers refueling requirements. The system provides significant program improvements over previous existing ordering methodology, to include transaction capture/integrity, data collection and reporting, and ease of use.



FUEL CARD PROGRAM IMPROVEMENTS: Significant fuel card program improvements were realized, greatly leveraging the benefits of fuel cards for the warfighter. The newly created Government Fuel Card Program Management Office (DESC-K) achieved full-up staffing during the year. The SEA Card program was developed and fielded. DESC-K drafted guidance for the published OMB Circular, *Improving the Management of Government Charge Cards*, drafted guidance for the published *DOD Charge Card Guidebook*, and drafted the published DESC-T-P-8, *Government Fuel Card Program Roles, Responsibilities and Accountability*. Additionally, 100% Accountable Official appointment was realized for the AIR Card program, and significant progress was also made on Accountable Official appointment for the DoD Fleet Card program. Also, Service Component Managers were formally identified, and a strong partnering relationship established. The aforementioned are representative examples of a banner year by the Fuel Card PMO.

COAL: During FY05 the DESC Coal Team experienced another major price adjustment in the bituminous coal market. Delivered coal prices rose nearly 50% over FY04 contract award prices. Not only was the rising cost of diesel fuel a factor in raising the cost of transportation by rail, truck or barges, other contributing factors included supply and demand, and the limited availability of stoker bituminous coal due to the high demand of utility grade coal. Although we were successful in securing a firm fixed delivered cost on all of our contract awards, the cost kept rising for the small business producers through the performance period. Small business competition was the lowest seen in program history.

NATURAL GAS: In FY05, the Installation Energy CBU Direct Supply Natural Gas Program (DSNG) awarded its largest program ever, contracting for 166.7M dth of natural gas for an estimated \$1.012B for performance during FY06-08. The Natural Gas team awarded 34 contracts and 6 Basic Ordering Agreements earlier in the year than under previous programs, to allow customers greater opportunity to focus on budget stabilization strategies. This approach proved even more advantageous during a season of catastrophic hurricanes complicating an already volatile market. The CBU worked closely with all its customers to mitigate the impact.

ELECTRICITY: Since the inception of the Electricity Program, DESC has been active in all states in which competitive electricity acquisition is permitted, and for which we have received requirements. During FY05 DESC issued solicitations for New York, Illinois, Maine, Texas, Pennsylvania, New Hampshire, Connecticut, Massachusetts, Rhode Island, New Jersey, Maryland and the District of Columbia. The Electricity Team currently has contracts in place for competitive power in DC, MD, TX, IL, NJ, MA and NY. The DESC Electricity Team continues to work closely with our customers and with industry to evaluate and refine the way we conduct business so as to provide maximum support for our customers and to conduct business that closely mirrors commercial industry practice. Program highlights include awarding 1st time contracts for customers located in the state of Massachusetts. In addition, DESC awarded first time contracts for Argonne National Laboratory and Fermi National Accelerator Laboratory. These awards represent the first competitive electricity contracts DESC has awarded in the Commonwealth Edison Service Territory. Six previous solicitations had resulted in the determination that the Utility Distribution Company's (UDC) Power Purchase Option

(PPO), representing the best value for the Government. In FY05, the DESC Electricity Team awarded contracts worth \$358M for a estimated 6.2B kWh.

RENEWABLE ENERGY: FY 2005 remained an active year for the DESC Electricity Team as they continued to expand their knowledge in the quickly growing energy market of Renewable Energy Certificates (RECs). A REC represents the unique attribute of renewable energy generation that can be sold separately from the commodity. RECs provide an affordable way for federal installations to meet the Executive Order 13123 goal of 2.5% electricity consumption from new renewable energy sources by 2005. Approved energy sources currently consist of solar, wind, geothermal and biomass generation. These renewable power purchases encourage the growth of local renewable energy, support the development of green power markets and reduce greenhouse gas emissions. With the end of FY05 fast approaching and the need for the 2.5% consumption goal to be met, DESC increased its customer base to include various DoD Installations, Environmental Protection Agency facilities, Internal Revenue Service offices, Department of Homeland Security facilities, the National Aeronautical Space Administration and Department of Veteran's Affairs facilities. In FY05, DESC awarded over 1.1B kWh of wind, biomass and geothermal RECs for customers located throughout the continental United States with a dollar value of \$573,095.

ENERGY 2005: The DESC Installation Energy Office participated in the DoD, DOE, GSA sponsored Energy 2005 conference as members of the planning committee, conference speakers, moderators and trade show exhibitors. The conference was held August 14-18, 2005 in Long Beach, CA. The annual event included both Government and private sector energy professionals with information regarding the latest in leading edge technologies and best business practices to help organizations improve energy efficiency and security, satisfy renewable energy goals, and to reduce overall energy costs. The Installation Energy Office provided presentations on best procurement practices for the acquisition of natural gas, electricity and renewable energy. DESC's trade show booth was heavily attended, providing an excellent CRM opportunity to network with current and potential customers and suppliers.

BULK FUELS CONTRACTS FOR TRANSPORTATION FOR FUEL DELIVERIES IN KUWAIT & SOUTHERN IRAQ:

In October of 2004, the Defense Energy Support Center (DESC) was tasked with providing logistical truck transportation support for the distribution of petroleum products sourced within Kuwait to various U.S. Military bases located within Kuwait and Southern Iraq. The mission was assumed by DESC-Bulk Fuels from the Army Corps of Engineers, whose contract was formerly with Kellogg, Brown, & Root. A team was formed to establish a competitive, full and open solicitation, resulting in the award of a contract for the transport services of approximately 440 trucks procured on a per truck, per day basis. The delivery period commenced on February 28, 2005 and extends through February 28, 2006, with two (2) six (6) month option periods. The total dollar value for the resultant contract was approximately \$32M and is considered to be a substantial savings from that of the previous logistical support provider. The process was successfully achieved, although timelines were stringent, through the partnering efforts Bulk Fuels, the Center Senior Procurement Office, and the DESC-Middle East Office.

PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION PARTNERS WITH UNITED KINGDOM DEFENCE FUELS GROUP:

The Product Technology & Standardization Division continues to improve upon the Petroleum Quality Information System (PQIS) report that provides statistical analysis of Aviation Fuels (AN8, JA1, JP4, JP5 and JP8), Aviation Jet Fuel Thermally Stable (JPTS), Fuel Naval Distillate (F76), Marine Residual Fuel (RME-25) and Gasoline bought under the Bulk Purchase Program. QinetiQ, Ltd. on behalf of the Ministry of Defence, United Kingdom provided 2004 procurement data to be included into PQIS making it a more comprehensive compilation of data worldwide. The PQIS report and its compilation of data can be found at the following web site:
<http://www.desc.dla.mil/DCM/DCMPage.asp?pageid=99>

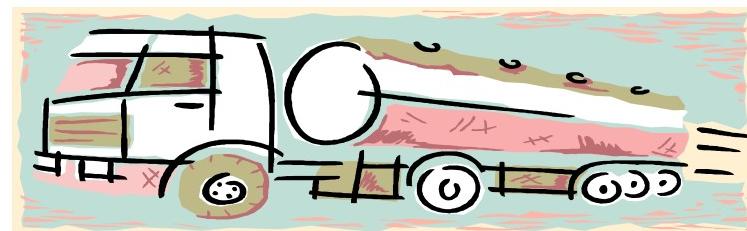
ENERGY UTILITY PRIVATIZATION QAR TRAINING POLICY:

In February 2005, DESC-BQ issued a policy letter providing training requirements to meet the Energy Enterprise CBU pre-award survey needs. This training is a self-paced, computer-based module from available web sites. The supervisor/quality manager must assure completion of the self-paced training with the QAR. The policy letter can be found at the following web site:

<http://www.desc.dla.mil/DCM/DCMPage.asp?pageid=81>.

DESC QUALITY CONFERENCE: From March 2nd through March 3rd, 2005, DESC-BQ hosted its annual Quality Conference. The Conference brought together representatives from the three major Services, the US Coast Guard, and personnel from every region throughout DESC to identify and discuss current and future issues pertaining to the quality of the energy products procured by DESC. These conferences are open forums where everyone is encouraged to voice their opinions in order to better enhance the quality process and provide effective and comprehensive support to our ultimate user, the War fighter.

PETROLEUM QUALITY ASSURANCE COURSE J-20: The Quality Operations Division graduated its first J20 class in three years at Ft. Lee, VA, on July 29, 2005. Under the instruction of Mike Young (DESC-BQ) and Scott Artrip (DESC-AME), twenty students graduated after receiving 80 hours of commodity certification training in the areas of petroleum refining; petroleum products analysis; Government QA procedures; quality surveillance of DLA-owned products; and bulk petroleum procurement at various modes of transportation including pipelines, railcars, tank trucks, and tanker vessels. Student demographics reflected the DESC focus on supporting the war fighter. Almost half of the students were from military units deploying to Iraq in the near future with the remainder from various DESC regions worldwide and, one Marine from the Naval Operational Logistics Support Center (NOLSC). The success of the course was due in large part to the support received from Ft. Lee's Petroleum and Water Department. Classes are scheduled for the near future. Details can be found at the following web site:
http://www.desc.dla.mil/DCM/Files/WELCOME_Letter.mht.



DESC BULK FUELS SUPPORTS TRANSPORTATION

SUSTAINMENT MISSION: DESC was tasked to provide logistical support for truck transportation services for the distribution of petroleum products sourced within Kuwait to various U.S. Military bases in Kuwait and Iraq. This highly complex sustainment mission was assigned to the DESC Bulk Fuels Commodity Business Unit since the original contract with another service agency resulted in a sub-optimal business solution. A contract was awarded in February 2005 to Jassim Transport and Stevedoring Co. WLL (JTC) for the use of approximately 440 trucks per day. The \$32 million contract value represented a significant savings of approximately \$93 million from the previous logistical services provider. JTC has demonstrated superb commitment and tremendous flexibility in supporting the operational readiness needs of the DESC warfighting customers in Kuwait and Iraq through an uninterrupted supply of petroleum products.

DESC COMPLETES STAND-UP OF DFSP KABUL:

DESC contracted with a service provider to provide storage services in Kabul. This requirement was necessary to implement a "Strategic Fuel Reserve" to support the warfighters operating in the areas in and around Kabul and Bagram, Afghanistan in order to mitigate the negative effects of supply shortages associated with adverse weather conditions, insufficient roads, and political instability within the region. Although working against a very aggressive schedule, the contractor refurbished two existing fuel tanks and provided three additional fuel tanks in order to augment a total standby storage capacity of approximately two million gallons. In late September 2005, fuel levels at DFSP reached safe operating capacity with the assistance of three fuel companies working under contract with DESC.

PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION

(DESC-BP) SUPPORTS ACQUISITION OF BIODIESEL: DESC-BP continues to provide key support in the meeting the increasing requirements for alternative fuel products. In particular, team efforts specific to Biodiesel B20 are leading to it becoming a more commercially viable product; DESC-BP is a lead participant in American Society for Testing and Materials (ASTM) Task Force on Biodiesel Stability, and has drafted a commercial ASTM specification for B20 (the adoption of which is highly anticipated by the fuel industry) that is currently going through the subcommittee ballot process. In addition, BP is heavily involved in working with Task Force in developing acceptable methods for measuring the storage stability of biodiesel in order to facilitate passage of the B20 specification draft. BP also provided technical assistance to the Ground

Fuels division in working with the sole-source supplier biodiesel in Hawaii, with the first contract beginning in January 2006, in meeting the required testing in order for the product to be acceptable.

DESC SUPPORTS FINAL ATLAS III LAUNCH: A successful launch of the final Atlas III rocket out of Cape Canaveral Air Force Station occurred on Thursday, February 3, 2005, at 0241 hours (EDT). DESC supported the launch with Liquid Oxygen and Rocket Propellant (RP-1). The rocket carried a classified National Reconnaissance Office payload.

DESC SUPPORTS ATLAS V LAUNCH: DESC provided Dinitrogen Tetroxide (N2O4), High Purity Hydrazine (HPH), Liquid Oxygen (LOX), Liquid Hydrogen (LH2) and Rocket Propellant 1 (RP-1), to Complex 41 at Cape Canaveral AFS, FL in support of the March 11, 2005 launch of an Atlas V rocket. The payload, an Inmarsat 4-F1 Mobile Broadband Communications Satellite, utilized both N2O4 and HPH. The Inmarsat 4-series spacecraft will provide office-like services such as Internet, email and other broadband capacity to laptop and palm-sized terminals on land, at sea or in the air.

NEW HYDRAZINE CONTRACT AWARD: DESC solicited and awarded an unprecedented 10 year plus 2-five year option hydrazine contract on March 29, 2005, to Arch Chemicals Inc. This contract was competitively solicited for the first time in 30 years. The contract is a follow-on to an expired Arch contract for the production, storage and distribution of all grades of hydrazine, a fuel used for rocket launches, engine testing and space vehicles. The major users of hydrazine are the F-16 Fighter Aircraft, Titan, Delta, and Atlas rockets, NASA's Space Shuttle, and both military and commercial satellites. The contract encompasses the continued use of the Arch existing production facility located in Lake Charles, LA. Considerable effort was expended on preplanning and negotiating this award. This was a Best Value Source Selection Trade off Process utilizing Technical, Mission and Management, Past Performance and Socio-Economic capability evaluation teams. First Article is due July 2006. In the interim, customers are being supported through a contract that was awarded to Arch Chemicals to produce a three year stockpile of inventory to support the DESC mission while the existing plant is updated and prepared for production in 2006.

EMERGENCY SUPPORT TO AIR FORCE TITAN PROGRAM:

DESC provided emergency support to the Air Force Titan Program by expediting railcars and trailers to Cape Canaveral, FL to temporarily store dinitrogen tetroxide (N2O4) Mon 1. The USAF Titan Program was scheduled to launch its final Titan rocket from Cape Canaveral on Monday April 11, 2005 but had to postpone the mission due to problems with the transfer system that loads the launch vehicle with N2O4 from their Ready Storage Vessels (RSVs) at the launch pad directly into the rocket. As the N2O4 was loaded into the vehicle, filters clogged. Although this problem occurred on all three RSVs, the customer determined the problem was not due to the quality of product. The Air Force requested expedited delivery of three DESC N2O4 railcars and as a backup, also requested use of eight DESC N2O4 trailers. Normal transit time for the railcars is two weeks, but DESC was able to negotiate with the railroad to get the cars to the Cape in four days. DESC was also able to negotiate with our carrier contractors for the use of the eight N2O4 trailers. The Titan launch occurred on April 29th, placing an extremely important classified National Reconnaissance Office satellite into orbit in support of our Global War On Terror.

USAF ABO/LIN SUPPORT: In FY05, DESC became the Local Purchase Agent to provide Aviator's Breathing Oxygen (ABO) (MIL-PRF-27210) and Liquid Nitrogen (LIN) (Commercial Item Description A-A-59503) to all CONUS USAF bases. DESC provides centralized contracting for requirements aggregated by geographic region, realizing efficiencies, and streamlining support to include quality surveillance of this critical Life Support product. DESC and the Air Force Petroleum Office (AFPET) jointly developed an acquisition strategy to initiate and execute four CONUS regional procurements to support all USAF ABO/LIN requirements. AFPET serves as the single focal point for this initiative and has, in coordination with respective CONUS Major Commands, collected/validated individual wing/base location initial requirements. On June 17, 2005, DESC awarded three (3) five-year firm-fixed price requirements-type contracts for the delivery of ABO and LIN to multiple US Air Force locations in Region I (Southeast US) with ordering to begin July 1, 2005. The contracts are the first awarded under the DESC and AFPET ABO/LIN partnership. Contracts supporting

US Air Force locations in Region II (Northeast US) were awarded with an effective date of October 1, 2005. Contracts supporting US Air Force locations in Region III (Central US) are anticipated to be awarded with an effective date of January 1, 2006. Lastly, contracts supporting US Air Force locations in Region IV (Northwest US) are anticipated to be awarded with an effective date of April 1, 2006. In addition, DESC assigns a Quality Assurance Representative (QAR) to each cryogenics contractor(s) production or dispensing facility to perform origin contract quality assurance (CQA). DESC focuses on customer support by serving as the sole acquisition agent for all CONUS USAF ABO & LIN requirements.

DESC PARTICIPATES IN JOINT PROPULSION CONFERENCE:

CONFERENCE: Representatives from DESC attended the 41st Joint Propulsion Conference and Exhibit held in Tucson AZ July 10-13, 2005. Over 1000 attendees from the space industry and the Government had the opportunity to attend over 800 sessions covering topics such as air breathing propulsion, propellants and combustion and in space propulsion. DESC exhibited in the trade show, making personal contact with hundreds of current and potential customers. DESC representatives also participated as members in technical committees on liquid propulsion standards.

DESC DELIVERY SUPPORTS THE EXO-ATMOSPHERIC KILL VEHICLE (EKV) PROGRAM:

On July 14, 2005, DESC delivered 500 lbs of low iron, dinitrogen tetroxide (N2O4) to Aerojet Rancho Cordova, CA. The product will be used for the Missile Defense Agency's Exo-atmospheric Kill Vehicle (EKV) Program which is part of the Ground-Based Midcourse Defense Program. The EKV's mission is to engage high-speed ballistic missile warheads in the midcourse or exo-atmospheric phase of their trajectories and destroy them using only force of impact.

HELIUM CYLINDER SHIPMENT TO NIGER: DESC coordinated with the Surface, Deployment and Distribution Command (SDDC) to provide a vessel carrier for a shipment of 360 helium cylinders destined for the port of Cotonou, Benin. A freight forwarder will be utilized for onward movement of the palletized cylinders to the final destination in Niger. This shipment required special support from SDDC due to the lack of Department of Defense traffic to this particular port. Once the cylinders are emptied, the SDDC freight forward will palletize the empties and retrieve them for return to the DESC helium contractor's facility in CONUS. The customer is Department of Energy's Energy for the Climate Monitoring Research Facility, Los Alamos National Lab, NM, which is tasked with resolving scientific uncertainties related to global climate change with a specific focus on the crucial role of clouds and their influence on radioactive feedback processes in the atmosphere.

DESC SUPPORTS BULK HELIUM DELIVERY TO IRAQ: DESC's Bulk Gaseous Helium Support Team stepped up support for the war fighters in Iraq. Gaseous helium is used as a lifting gas to elevate various types of sensor packages to several DoD customer aerostat programs. DESC customers have been able to offer real-time force protection surveillance and information gathering capabilities to field commanders allowing them to more efficiently and effectively accomplish their critical missions. DESC helium "supply and delivery" strategies were continuously updated to ensure the most efficient and economical practices. Helium deliveries to all of the customers were accomplished by land, sea and air, from in-country and CONUS locations. DESC is supporting the United States Army's Rapid Aerostat Initial Deployment (RAID) Program Office, located at Redstone Arsenal, Huntsville, AL. and the United States Army's Persistent Threat Detection System (PTDS) Office, located at HQ INSCOM, Ft. Belvoir VA. Due to the recent growth in requirements for each of these programs, DESC has been contacting other government sources to locate any and all bulk helium trailers to aid in the supply/re-supply pipelines. Once trailers are found, they are tested, refurbished, and certified for helium service.

CONTRACTING OFFICER MRS. AMY LOAR RECOGNIZED FOR SMALL BUSINESS AWARD: On May 16, 2005, VADM Lippert presented the DLA Award for Excellence in Assisting Small Disadvantaged Businesses to Mrs. Amy Loar, Contracting Officer and Branch Chief in the Facilities Procurement Division. Ms. Loar has supported the small business program extensively throughout her career.

Her advocacy is exemplified by her dedication to all small businesses with particular efforts toward 8(a) firms. Ms. Loar is keenly aware of the DESC small business goals, and aggressively pursues opportunities to help meet them. Her positive attitude permeates her staff and magnifies the resulting benefits to DESC.

DEFENSE FUEL SUPPORT POINT (DFSP) DJIBOUTI: COCO Storage Services in the amount of 600,000 barrels of JP5 and F76 was awarded to Emirates National Oil Company (ENOC) on June 10, 2004. The facility was inspected and accepted on August 23, 2005 at which time the five-year performance period began through August 22, 2010.

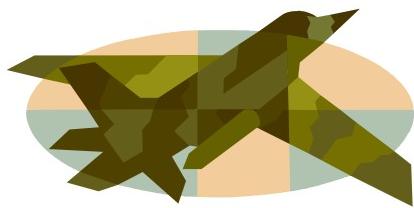
DEFENSE FUEL SUPPORT POINT (DFSP) KABUL, AFGHANISTAN: COCO Storage Services in the amount of 50,000 barrels of JP8 was awarded to TRYCO International, Ltd. on July 30, 2004. The facility was inspected and accepted on April 09, 2005 at which time the five-year performance period began.

INCREASED PC&S SUPPORT UNDER THE COLUMBIA PROGRAM: Originally under the jurisdiction of the State Department, the Colombia Post Camps & Stations (PC&S) Program lapsed during the late 1990s, with requirements being satisfied through the State Department's Credit Card Revolving Program. In the spring of 2003, the DESC became responsible for ensuring that various activities in Colombia were adequately supported and DESC-PLB teamed with U.S. Southern Command to develop a strategy to support the Colombia PC&S Program. Originally awarded to a single source with an estimated dollar value and quantity of \$10,609,675.20 and 5,808,000 US gallons, respectively, the program has grown through competition and now includes nine locations with a total estimated dollar value of \$21,803,264.80 and the estimated quantity of 7,218,000 US gallons. In April 2005 the Paperless Ordering and Receipts Transaction System was implemented in Colombia which eliminated manual processing of orders and receipts and increased support within the country.

PC&S SUPPORTS THE NAVY IN GUANTANAMO BAY, CUBA:

The removal from service of a storage tank at the U.S. Naval Station in Guantanamo Bay presented a time-critical challenge to the Direct Delivery's PC&S Division. A requirement for barge delivery of 1,260,000 gallons of mid-grade gasoline to be delivered as required over a one year period was received in PC&S on 6 July 2005. Through intense marketing efforts spanning a period of fourteen days, PC&S was successful in negotiating the requirement and awarding a contract to ExxonMobil on 29 July 2005 for the first delivery to be made no later than 20 August 2005, thus ensuring no interruption of fuel support at Guantanamo Bay.

IINTO-PLANE POST WAR SUPPORT: Direct Delivery's Into-Plane Division remained busy supporting Post War contingency and humanitarian efforts overseas. Follow-on contracts were awarded in Azerbaijan, Iraq, Kyrgyz Republic, Tajikistan and Turkmenistan. Contracts were awarded to support ongoing drug interdiction operations in Colombia, and humanitarian assistance requirements in Africa. The Into-Plane Division continues to support ad hoc requirements for Operations Enduring Freedom and Iraqi Freedom throughout the regions.



AFRICAN FUEL INITIATIVES: Direct Delivery's Into-Plane Division awarded a contract to supply multiple Intermediate Support Bases (ISBs) in Africa to meet various jet fuel requirements. The purpose of the contract is to have fuel readily available to the U.S. military in support of peacetime needs such as military exercises, responses to natural disasters, combating terrorism and humanitarian support each requiring rapid response, immediate fueling capability and special procedures to ensure the safety and readiness of personnel, installations and equipment. The contractor is also required to support a surge in delivery volume based on operational needs. The basic contract

provides for 564,000 gallons of basic support with an additional 684,000 gallons of surge support.

DESC-FGI FUEL AGREEMENTS: DESC-FGI negotiated and signed three international fuel support agreements with Spain, Turkey, and Chile. These agreements included fuel exchange agreements (FEA) with the Chilean Navy and the Spanish Armada, and a pipeline and depot agreement with the Turkish General Staff. This Partner nation cooperation will serve to enhance the United States and its allies global defense posture and operational capability well into the future.

DESC-FGI AGREEMENT AMENDMENTS: DESC-FGI negotiated amendments to previously concluded fuel arrangements with the United Kingdom, Uzbekistan, Oman, Turkey, Peru, Indonesia, and Italy. The joint signing of these agreed upon amendments also added immensely to the operational and administrative value of these international fuel support agreements.

UTILITY PRIVATIZATION: In FY 2005, the Energy Enterprise Directorate awarded five utility privatization contracts with a total value of \$266.2M. The water and wastewater distribution and collection systems utility privatization contracts were awarded to American States Utility Services Company at Virginia Army installations located at Forts Monroe, Eustis, Story, and Lee (wastewater only). American States Utility Services Company was also awarded the water and wastewater systems at Andrews Air Force Base, Maryland. Two electrical distribution system contracts were awarded: one at Fort Leavenworth, Kansas to the Leavenworth Jefferson Electrical Cooperative and the other at Natick Soldier Systems Command, Massachusetts to NSTAR. All of the contracts were awarded competitively for the utility privatization effort at DESC and are major accomplishments for the Department of the Army and Air Force. Utility Privatization is mandated by the Office of the Under Secretary of Defense to divest all utility systems at military installations when it is deemed economically feasible to the government. For these five contracts, the total contract value of \$266.2 million resulted in an average annual cost avoidance of \$10.4 million or \$520 million over the contract term.

ENERGY SAVINGS PERFORMANCE CONTRACTS: In FY 2005, the Energy Enterprise Directorate was chosen by OSD to lead the contracting effort for its DoD Renewable Replication Pilot ESPC Project. This represents four technologies ranging from day lighting and lighting technology; transpired solar collectors; solar swimming pool heating and grid connected photovoltaics. This pilot program represents about 26 DoD installations in the western and central part of the United States. Also the Energy Enterprise Directorate was responsible for performing contract administration on DESC-awarded Energy Savings Performance Contract Delivery Orders for Fort Hood, Texas; Fort Monmouth, New Jersey; Aberdeen Proving Ground, Maryland; Fort Jackson, South Carolina and Carlisle Barracks, Pennsylvania. These DO's were issued against a Department of Energy Indefinite Delivery-Indefinite Quantity (IDIQ) contract for energy conservation measures such as Utility Monitoring Control Systems, Energy Management Control Systems, vending machine controls, cooling Tower Variable Frequency Drive, and lighting retrofits for a guaranteed cost savings to the Government that exceed contractor payments. In FY 2004, this program was halted from any new initiatives since legislative authority had expired. New legislative authority was enacted as of August 05 and DESC is ramping up to provide additional support to these energy savings projects for various Army and OSD identified initiatives.

DEFENSE ENERGY SUPPORT CENTER – EUROPE: Defense Energy Support Center – Europe provides direct support for the United States European Command (USEUCOM) Area of Responsibility, encompassing 91 countries, spread over 20 million square miles of the earth's land mass, as well as providing multi-product fuel support for forces in Northern Iraq. Their 86 personnel are assigned to 12 geographically separated offices and currently ship fuel to 327 separate locations. This is accomplished through the management of 5 pipeline systems, 11 DFSP's, and 21 international agreements. Last year, DESC-Europe was able to conclude fuel agreements with the French and Spanish Navies and have 11 pending international agreements to provide more efficient and cost effective support to both U.S. Forces and our coalition/NATO allies. With the transition of operations in Bosnia from NATO to European Union Forces, the DESC-Balkans Office was closed and fuel support for U.S. Forces in the area was transferred to DESC-Europe. During the year DESC-Europe was heavily involved in the African Fuel Initiative by setting up and maintaining 29 fuelling



locations throughout Africa to support USEUCOM's anticipated humanitarian and contingency operating sites. DESC-Europe was also instrumental in planning the development of training areas and contingency operating sites in Eastern Europe as part of USEUCOM's Transformation Plan.